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Advance in Housing Right or Accumulation by Dispossession? How Social Housing Is Used as Policy Tool to Promote Neoliberal Urban Development in China and in Mexico

Committee:

_____
Peter M. Ward, Supervisor

_____
Bryan R. Roberts, Co-Supervisor

_____
Mounira M. Charrad

_____
Néstor P. Rodríguez

_____
Joshua Eisenman

_____
Edith R. Jiménez Huerta

Advance in Housing Right or Accumulation by Dispossession? How Social Housing Is Used as Policy Tool to Promote Neoliberal Urban Development in China and in Mexico

by

Yu Chen

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Abstract

Advance in Housing Right or Accumulation by Dispossession? How Social Housing Is Used as Policy Tool to Promote Neoliberal Urban Development in China and in Mexico

Yu Chen, Ph.D.

The University of Texas at Austin, 2018

Supervisors: Peter M. Ward, Bryan R. Roberts

Social housing is defined as the housing production supported by the public sector with the purpose of improving housing access and condition for low-income urban population. This dissertation discusses the social housing boom in China and in Mexico in 2000s and 2010s. I ask what motivates the governmental agenda to make and implement social policy for low-income populations in these two developing countries with very different political economies. Drawing on mixed-methods, this dissertation undertakes three levels of comparison. At the national level, social housing develops through different approaches in the two countries: a government-centered approach in China, and a market-centered approach in Mexico. The variations in these approaches are the result of the existing housing regime when the neoliberal transformation of housing and urban policy started in these two countries in the 1980s and 1990s. At the local level, local governments' different roles in social housing development reflect their different urban agendas, which can be further attributed to the political and the land regimes in the two countries. Yet a common denominator of the two cases is the close alliance between the local governments

with developers. Finally, at the community and household level, I argue that social housing in China and in Mexico does not represent an advance in housing rights for the low-income urban population, but rather a wave of accumulation by dispossession. I conclude that, in contrast to the post-war social housing development in advanced industrialized countries, in which the State acts as a force of de-commodification and social provider of essential services, social housing in China and in Mexico is used as a tool for the expansion of real estate and financial capital towards the urban low-income population. This leads us to rethink the nature of social policy in the neoliberal era: disguised as a form of "welfare", it is used as a tool and venue to facilitate the advance of neoliberal projects such as financialization towards vulnerable social groups.

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Chapter 1. Introduction: Social Housing and a Tale of Two Polities

In June and July 2012, the Chinese Housing Provident Funds (HPF) sent a delegation of 16 members to Mexico to visit Mexico's major public agency of housing, the Institute of National Funds for Workers' Housing (INFONAVIT). The purpose of this visit was to learn from Mexico on housing development, particularly how to improve the financial efficiency of the housing funds (MOHURD 2013). Two years later, in 2014, a delegation led by the then director of INFONAVIT, Alejandro Murat, visited China. According to the official report, the Mexican delegation held meetings with their Chinese counterparts to discuss topics such as housing finance (and the appreciation of housing values) and urban planning (INFONAVIT 2014).

What the officials learn from these visits and exchanges is, of course, very important for the performance of their own institute. However, it remains unclear to what extent the experience that they learn from each other may be implemented in their own context. The Chinese delegation published a series of reports upon their return to China (MOHURD 2013, Tang and Lin 2013, Zhang 2013). The technical details that they documented were fairly accurate, particularly on the financial mechanism of the INFONAVIT. They particularly praised the INFONAVIT for its efficiency in funds collection, the transparency and professionalism in funding administration, and its role in expanding housing access among the low-income affiliates (MOHURD 2013). And yet I noticed that these reports did not mention what kind of housing the INFONAVIT system had produced, nor provide an evaluation of whether the Mexican model really represents an advance in the housing rights of the urban low-income population. Moreover, as will be discussed in more detail in Chapters 2 and 3, they seemed to have overlooked an important fact, that although the HPF and the INFONAVIT are both solidarity funds,[1] the INFONAVIT mainly targets the middle and low-income working class in the formal sector;

[1] Meaning that the employer has to contribute a sum that equals a proportion the employee's salary to a housing fund.

in China most beneficiaries of the HPF are middle- and upper-income groups, who can actually afford commercial housing.

From a sociological perspective, understanding the social and institutional structure in which a policy is embedded is the first step before applying the policy in a different context. This dissertation will undertake an in-depth sociological comparison regarding the social housing development in China and in Mexico from the national, the local and the community/ household levels. By taking a mixed-method approach, I will examine the structural and institutional roots of the housing deficit among low-income urban working class in China and in Mexico, analyze the evolution of social housing policies in these two countries, evaluate their outcomes, and generate some policy implications.

1.1. Background and Research Questions

I define social housing as housing development supported in diverse forms by the public sector with the purpose of improving low-income groups' housing access and condition. At the core of this concept is an (at least) partial de-capitalization or de-commodification of housing provision for the groups that are in a "weak negotiating position" in the market (Premius 2012: 410, also see Harloe 1995). In this sense, "economical housing" and "public rental housing" in China, "social-interest housing" in various Latin American countries, public housing and subsidized affordable housing in the US, council housing in UK, among other cases, are all examples of social housing (Premius 2012, Norris 2012, Bratt 2012). Social housing projects in North America and in Europe, as a form of direct intervention by the public sector, marked a commitment by the public sector to reduce poverty, social exclusion, homelessness and public health hazard (Scanlon and Whitehead 2008, Clapham 2012). Sometimes social housing may also contain other latent agenda such as social control, social transformation (for example, mass public housing projects in the USSR, see Harris 2013; anti-communism in public housing projects,

see Parson 2005) and or the maintenance of status quo (for example, residential segregation against the racial minority, see Williams 2004, Hunt 2009, Soss et al. 2011).

Social housing in advanced industrialized countries encountered serious challenges. Its construction and maintenance often involve large subsidies, and thus its financial sustainability is highly dependent on the State's fiscal conditions. Also, social problems are inherent to the design and planning of such projects, such as the concentration of poverty, residential segregation based on race and class, lack of maintenance and deficit of infrastructure and basic service, high delinquency rates, social stigmas etc. These problems were often exacerbated when the authorities withdraw its previous commitment to the long-term maintenance of the social housing projects (Harloe 1995, Hunt 2009).

Since the late 1970s, with the neoliberal shift of public policy, governments in several advanced industrialized countries eventually abandoned the State-centered policy approach. Public housing projects in general underwent a residualization process, being privatized or demolished. A lot of those projects that remain functioning also suffered from funding cuts and neglects (Rolnik and Rabinovich 2014). In this context, the government favored a market-oriented approach of indirect intervention (such as Low-Income Housing Tax Credit, LIHTC, in the US; see Phibbs 2012) and a communitarian approach (cooperatives, or volunteer associations) to low-income housing policy (Milligan and Gilmour 2012). However, it is not clear how these new policy paradigms may challenge the hegemony of the market (Pattillo 2013). After all, the market alone does not necessarily lead to an inclusive approach to housing and urban development, as in many cases rising property values of the property are at least in part based on its capacity of distancing itself from the poor (Caldeira 1996, Chaskin and Joseph 2015, McCabe 2016). Social housing or affordable housing development may encounter resistance from private developers or surrounding neighborhoods that are more affluent. Widespread gentrification and an increasingly volatile labor market have made housing access more difficult for low-income population. The 2008 Financial Crisis not only hit the real economy and the labor market, but also led to a foreclosure crisis among victims of predatory lending. While alternative

and affordable options are scarce, homelessness and overcrowding problems worsened in many cities (Pattillo 2013).

This research focuses on social housing development in China (economical housing and public rental housing) and Mexico ("social-interest housing"). For the reader's convenience, I will call all these sub-categories as social housing in the dissertation, unless I zoom in to discuss the nuances among these sub-categories. In both countries social housing takes the form of mass housing, and the public sector plays a critical role in its development (albeit through different approaches). It has become a housing segment of high visibility, and to a certain degree has changed the traditional patterns of urbanization.

However, social housing paradigms in China and Mexico also have significant differences. Currently, social housing in Mexico is essentially subsidized commercial housing. It is supposed to target the lower-middle and low-income working class affiliated to the public housing agencies (mainly INFONAVIT). In most cases social housing projects in Mexico are produced by private developers and the dwellings are sold on open market. The role of the public sector in social housing development is critical: it reduces the entry bar of the mortgage costs, provides upfront subsidies, and subsidizes the mortgage interest rate. In this way it improves the housing affordability and creates a pool of homebuyers from low or lower-middle income groups. The Federal Mortgage Society provides developers with insurance for on-time loan repayments, and thus improves the financial certainty for housing development. Moreover, municipal governments and the INFONAVIT are supposed to regulate social housing developments through urban planning, zoning codes and other regulatory frameworks.

In contrast to the Mexican approach, in China the entire development process of social housing is led by the government. The government is responsible for the planning, finance, and allocation of social housing projects. Developers, in most cases, are merely subcontractors of the housing projects. Social housing in China involves a complex typology, varying among cities. In most cases it can be roughly divided into two categories: economical housing and public rental housing. Both categories are highly subsidized. The

ownership of economical housing is shared between the homebuyer and local government, and certain restrictions are imposed on its resale to the market. Social housing in China is not commercial housing, and dwellers are restricted to those approved by the government.

Whereas in advanced industrialized countries, social housing was viewed as a component of the post-war welfare state, the rapid expansion of social housing in China and in Mexico takes place in a much more recent neoliberal context. This new context is characterized by the domination and the increasing fluidity of the financial and real estate capital, opening to the global market and foreign capital, a deregulation in the land and the labor market, privatization, and a reduction of state intervention in social assistance, etc. (Portes and Roberts 2005, Roberts 2005, Peck et al. 2009, Tochterman 2012). The expansion of social interest housing in Mexico represents a wave of the expansion of the financial and the real estate capital, which seeks to incorporate low-income working class as its subjects. In China, where urban land is of public ownership and local governments play a central role in promoting urban development, local authorities use social housing development as a policy tool for "smart urban growth". By relocating households to social housing projects, local governments manage to extract land for urbanization projects and huge revenues from the rising land value.

This research seeks to respond to the following questions: how, and under what calculus, do the Chinese and the Mexican governments mobilize resources to make and implement social policy for low-income populations? More specifically, how has the housing policy for low-income urban population evolved in China and in Mexico, two developing countries with very different political economies? What role does the social housing development play in the current paradigms of urbanization in the two countries? I also ask how social housing policy has implemented at the city level in China and in Mexico, and how in the two case study cities urban low-income populations get access to a social housing dwelling. Finally, what are the consequences of the expansion of social housing for low-income population and to what extent does it represent an advance in the expansion of their housing rights?

1.2. Literature Review: Housing as a Commodity and a Right

This research will contribute to the literature on the sociology of housing and social policy. Housing is sociologically relevant and research is not limited to physical shelters, but also includes broader residential setting, living arrangements and housing access, including homeownership, residential choice, and residential mobility (Foley 1980). In general, housing is embedded in a set of social relations, and consists of a factor that has great influence on the wellbeing of individuals, families and communities (Lawson 2012).

Housing is framed both as a commodity and a social right that is to be fulfilled (Pattillo 2013). As a commodity, housing prices and rents are capitalized the quality of schools and other installations (and landscapes), crime rates, prestige or stigma and so on, and are also partly determined by political and legal decisions such as zoning, taxation, infrastructure and service provision (ibid.). This character of housing creates either wealth or financial hardship for households, which contributes not only to inequalities between families and between social groups, but can also affect the inter-generational transfer of these inequalities (Aratani 2011). As neighborhood effects literature has widely discussed, housing and neighborhood condition is one of the key determinants of health and educational outcomes (Shaw 2004). Early public health professionals were aware that precarious housing condition led to higher infant mortality and higher risk of epidemics. They advocated that certain regulations should be established and enforced in the construction industry (Wile 1920). Shaw (2004) identified more specific pathways through which housing becomes a key social determinant of health: as a direct hazard or environmental risk, as refugee in social and psychological sense, and as part of the sociological circumstances (Shaw 2004). The foreclosure crisis after the 2008 Global Financial Crisis generated negative health consequences, independent of other economic factors associated with the recession (Currie and Tekin 2011, Houle and Light 2014).

Housing is a key determinant of living arrangements and social mobility, as well as an important mechanism of reproduction of inequality and deprivation. In Ray Forrest's (2012) words, "where we live and in what we live have major impacts on how we live".

Residential segregation (as well as gentrification, gated communities) are spatial expression social inequality and a mechanism of its reproduction. This has generated considerable research on experiences and consequences of living in poor neighborhood where disadvantages cluster. The mismatch between the spatial distribution of job opportunities and the poor's residence creates extra barrier for the poor to enter the labor market. Public institutions, such as schools and hospitals, in these poor neighborhoods are often in decay and deficits. Local residents are thus reduced to a second-class citizens (Makris 2015, Massey and Denton 1993, Sabatini 2006, Sampson et al. 2002, Quilian 2012).

The idea of a "value-free" or "pure" market does not apply to housing and housing markets which are an inherently social and political creation (Pattillo 2013). Housing is embedded in the broader social structure, and reflects the changing relations between the state, market and society, as well as intergroup relations in terms of race, gender and class (Michelson and Van Vliet 2000, Lawson 2012). For this reason, housing is an important venue for capitalist accumulation processes, state actions and social movements. Postwar public housing projects in many advanced industrialized countries reflected governments' commitment to promoting social inclusion by de-commodifying housing, as well as their paternalistic and custodial relations with the beneficiaries. Ethnographic research in US public housing projects show that these projects often contained an implicit agenda of maintaining social control and segregation upon the poor and racial minorities. The residualization of public housing reflects the changing commitment of the State to the poor. The recent wave of financialization of homeownership and especially the expansion of cheap mortgages to low-income populations reflects new forms of exploiting and depriving the poor through homeownership. Moreover, people respond to their built environment and issues such as lack of affordability, evictions, and precarious living conditions may trigger collective discontent and actions. Housing rights have been one of the core issues in urban social movements (Hunt 2009).

This research will potentially contribute to academic understanding of the neoliberal shift of public policy. To a certain degree, the concept of social policy has been

redefined. As the dissertation shows, social policy is not only used to de-commodify the access to essential social provisions, but is used as a tool to facilitate the expansion of capital by converting the low-income population into the target of the expansion of capital. My research also highlights how the introduction of a neoliberal policy is characterized by embedded in local historical context. These two factors inform us about the structural and institutional constraints within which policy options emerge.

In general, social housing, or public intervention in low-income housing, has been framed under the welfare-market dichotomy. For example, several scholars (Harloe 1995, Malpass 2008, Matznetter and Mundt 2012) intended to articulate the variations in housing policy among different countries to Esping-Anderson's (1990) typology of the welfare state. I argue that this proposition is largely based on the experience of the developed countries, where the major focus of the public housing policy was to fix the market failure (Whitehead 2003, Sprigings and Somerville 2005), and to sustain the welfare state regime (Hoekstra 2005). For this reason, the discussion of a neoliberal transformation of housing policy is often framed around the retrenchment of the State (Dodson 2006). In contrast, in developing countries such as China and Mexico social housing policies do not center around de-commodification of certain aspects of social provision, but became a useful tool for the government-developer alliance to expand market relations (the mortgage market in Mexico, and the land market in China) towards the low-income population. Moreover these policies can target the vulnerable social groups in large scale. In this sense my research contributes to the academic understanding of social policy. Instead of social housing policy giving way to the expansion of the real estate market, social housing policy is promoting the market. A similar case can be found in Brazil, where based upon a critical reflection on the conditional cash transfer program under the Lula Administration, Lavinas (2017) argued that social policy in Brazil did not achieve to expand the scope of rights and citizenship or equalize opportunities, but rather served as collateral to access financial markets through credit. In this sense, the neoliberal shift of social policy is multifaceted and takes various forms: withdrawal of the State, changing nature of social control and political manipulation, an emphasis on the "targeting" and "efficiency" of the policy, as

well as the promotion of the expansion of market relations and extracting profits from vulnerable social groups.

This discussion is also relevant to the US context in which predatory lending and the foreclosure crisis after the 2008 Financial Crisis became a focus among scholars from different disciplines. For example, Matthew Desmond's work (2016) documented how eviction became an abusive and exploitative practice in the recent rental housing market that extracted enormous profits from the vulnerability of the poor (see also Martin 2017). Discussing the subprime debt boom in the 2000s, Williams and his colleagues (2005) argued that the deregulation of the banking and mortgage system disrupted markets and social relationship, which created new opportunities for exploitation. Social policy has played an important role in the new and creative ways to exploit the poor, to quote Soss et al.'s (2011: 176) terminology through *the marketization of the poverty governance*, which is characterized by a reliance on market actors and outsourcing and an emphasis on profitability for investors.

1.3. Research Methods: A Comparative Case Study

This research takes a mixed-methods approach, combining a comparative-historical approach with a qualitative one. This section will explain the rationale of this choice.

First, I compare the evolution of housing policy and social housing development in China and in Mexico. These two countries are of very different political, economic, social and cultural contexts. For example, while China is often classified as an authoritarian, centralist regime, Mexico is considered as a democratic, federalist polity. By 2010, Mexico is a highly urbanized country with approximately 78% of the country's population residing in cities and a moderate urban population growth rate (1.65% annually between 2005 and 2010). In contrast although it has urbanized fast, China barely had half of its population classified as urban, and the urban population growth rate was much higher (3.55% annually between 2005 and 2010, UNPD 2014).

That said, the two countries also share some important similarities. Both countries went through a revolution that caused dramatic social, political, and cultural changes in the first half of the twentieth century (earlier in Mexico). The post-revolutionary regimes actively sought to launch agrarian reforms, promote labor rights and lead the country towards industrialization and modernization. Both countries are ruled (or were once ruled) by an authoritarian party for decades. Since the 1980s both countries have launched economic and political reforms that stimulated the private sector, readjust central-local relationship (decentralization), deregulate certain aspects of the economy, and opened the country's economy to the global market, etc. Today, both economies are classified as emerging markets,[2] and are deeply inserted into (and dependent upon) the world economy. Meanwhile both countries still suffer from insufficient institutional capacity and widespread corruption. In 2015, China and Mexico ranked 83 and 111 respectively in Transparency International's Corruption Perceptions Index (out of 168 countries).[3]

Although China and Mexico find themselves in different stages of urbanization in demographic terms, cities in these two countries are experiencing similarly accelerating spatial expansion. In the urban housing sphere owner-occupied housing (formal and informal) is the predominant form of housing access. Although social housing development in the two countries takes different approaches, it nevertheless represent a significant part of the urban housing stock. Social housing in China and in Mexico mainly targets the native urban population,[4] and its boom is closely associated with the spatial expansion and reorganization of the city, as well as the recent dynamics of urban land market.

[2] According to World Bank data, in 2017, the GDP per capital of China was 7,329 US$ and that of Mexico was 9,946 US$ (both in constant 2010 US Dollars, Source: World Bank, World Development Indicators 2018. Retrieved from: https://data.worldbank.org/indicator/NY.GDP.PCAP.KD).

[3] Source: Corruption Perceptions Index 2015, Transparency International. Retrieved from: https://www.transparency.org/cpi2015

[4] As later chapters will address, social housing in Chinese cities is largely reserved for native families that hold the city's registration, not for former peasants who recently migrated to the city. This means that even China and Mexico are at different stages of urban population growth, this

The purpose of taking a comparative and historical approach is intended to make sense of these differences. The strength of this approach is to identify the key factors that led different contexts to have similar outcomes, or that led similar contexts to have different outcomes. These "key" factors are of great analytical values and can generate important theoretical lessons. In her work on women's rights and family law in North African countries, Charrad (2001) identified the post-colonial state formation processes as the key factor that led to three Maghreb countries (Tunisia, Algeria and Morocco) to have different policy outcomes regarding family law and women's rights. That research highlighted the role of kinship as a form of social organization.

In my research I found that large Chinese and Mexican cities had similar residential tenure structures on the eve of the state-led industrialization (i.e. the 1940s-1950s). Moreover, both governments used housing policy to create a favorable condition for industrialization and to consolidate the power of the post-revolutionary regime. A comparative and historical perspective guided me to seek the "key factors" that led to the variation in housing policy in the two countries in later years, as well as the implications of this variation for the current policy approaches to housing policy. This is somewhat different from the prevalent comparative housing research, in which authors seek to build a typology of housing policy regimes and articulate them to welfare regimes (Harloe 1995, Kemeny 2001). As readers may find later, the main argument of the dissertation is not centered on the retrenchment of the State, but rather on how the social housing policy is used as a tool to promote the expansion of real estate and financial capital, in a context of an increasingly capitalized urban land and housing market.

A historical dimension is indispensable in the comparison. Historical events and trends provide us a valuable set of empirical evidence, and inform us about the critical junctures for the evolution of the policy. The time span chosen in this research is from 1950 to 2015 (when I completed fieldwork). The year 1950 corresponds to the initialization of

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difference does not quite affect the rationale of policy-making regarding social housing development.

the state-led industrialization in both countries -- although the import beginnings of import substitution industrialization started in Mexico slightly earlier (during the Avila Camacho Administration [1940-1946]). For China it started with the first Five-Year Plan in 1953. The year 2015 also marks a cut when more solid data are available in both cases.

In this dissertation I will show how the advance of neoliberal projects as a global phenomenon is deeply embedded in local and historical context. According to Peck and her colleagues (2009), this perspective of embeddedness captures how the neoliberalization actually takes place in a specific context as "an uneven, contradictory and ongoing process", rather than a formidable, abstract force imposed from outside. In this sense, I follow the tradition of "structural analysis of political outcomes", to use Charrad (2004: xii)'s term. Yet I do not intend to overstate the power of embeddedness in making causal arguments. Rather, past events and local context consist of powerful structural constraints which inform us about potential policy options in those critical junctures, and lead us to think the reason why alternative options were not adopted.

I conduct the comparison on three levels: the national, local and community/ household levels. On the national level, I traced the development of urban housing policy for low-income population in China and in Mexico between 1950 and 2015. I not only documented policy evolution, but also its articulation to the transformation of the regime of accumulation and the role of the State in economic development and social provision. The comparisons at local and community level further widened the scope of the research. On the citywide level I conducted two case studies: the Metropolitan area of Nanjing, China, and the Metropolitan area of Guadalajara, Mexico (Illustration 1.1, Illustration 1.2).[5] These case studies examined how social housing policy is actually implemented at the local level, and highlight the critical role of local government in urban development. In particular local governments in both cities somehow reinterpreted the policy established by the national government in order to pursue their own urban agenda, although the different political and land regime in the two countries led to different roles of the local governments in urban

[5] For a brief background comparison in these two case cities, please refer to Table 1.1.

development. Finally, based on fieldwork, I compared the dwellers' experiences and the living condition in social housing projects in Nanjing and in Guadalajara (Illustration 1.3, Illustration 1.4). The purpose of this last comparison is to assess the effectiveness and nature of policy outcomes, particularly their impacts on local income population's wellbeing and housing rights.

Illustration 1.1: Location of Nanjing in China (Google Maps)

Illustration 1.2. Location of Guadalajara in Mexico (Google Maps)

Table 1.1: Background Statistics of the Prefecture of Nanjing and the Metropolitan Area of Guadalajara (by 2015)		
	Nanjing, Prefecture	Guadalajara, Metropolitan Area
Area [a, b]	6,587 sq. km.	2,543 sq. km.
Population (metropolitan area, 2015)[a, b]	8.24 million[6]	4.8 million
Political and administrative status	Capital of Jiangsu Province; Important regional center in East China; Former capital of China	Capital of the State of Jalisco; Important regional center of Central-Western Mexico; Second largest metropolitan area of Mexico
Metropolitan-level government	Yes	No
Number of districts/ municipalities	11	8[7]
GDP per capita in 2014 (PPP, US$)[c]	24,695[8]	17,206
Annual growth rate of GDP per capita: 2013-2014 (%)[c]	6.5%	0.8%
Three most important economic sectors [c]	Manufacturing (39.8%)	Business/ Finance (27.7%)
	Business/ finance (15.4%)	Trade/Tourism (24%)
	Trade/ tourism (14.7%)	Manufacturing (19.1%)

(Sources: a. Nanjing Statistical Yearbook, 2011, 2016; b. IMEPLAN, retrieved from: http://imeplan.mx/en/home; c. The Brookings Institution, 2014 Global Metro Monitor Map)

[6] Referring to the total population, including both the population "registered" in the city as well as migrants who are not registered in the city.

[7] The municipality of Zapotlanejo was incorporated into the Metropolitan Area of Guadalajara in 2015, and since then the metropolitan area is formed by 9 neighboring municipalities. To keep the consistency of data, this dissertation does not take into account the municipality of Zapotlanejo.

[8] While GDP statistics at municipal level are easily available in China, they are very difficult to obtain in the Mexican context. The Brookings Global Metro Monitor is one of the few reliable sources for cross-country comparison of GDP statistics at metropolitan level. The Brookings Global Metro Monitor used Nanjing's registered population (6.45 million) to calculate the city's GDP per capita, and the result was US$ 31,434 (PPP). However, in 2014, the city's total population (including migrants whose household registration was not in the city) was 8.21 million. Thus, I adjusted the GDP per capita of Nanjing in 2014 is to US$ 24,695 (PPP). According to official statistics, the GDP per capita in Nanjing in 2014 was 107,545 Yuan, or approximately US$ 17,515 (in 2014 value, Nanjing Statistical Yearbook 2015).

Illustration 1.3. A Social Housing Project in Maigaoqiao, Qixia District, Nanjing (photo taken by the author)

Illustration 1.4. A Social Housing Project in the Municipality of Tlajomulco de Zúñiga, the Metropolitan area of Guadalajara (photo taken by the author)

In both sites I conducted archival research and fieldwork. Archival data come mainly from the census, government documents and local media. In the case of Nanjing for example, the prefectural and district governments each year publish official yearbooks (including a specific one on the real estate development in the city), which document the major events in the city and the government's achievements. In these documents I gathered data on a variety of aspects of the housing development, including housing price, investment in the housing sector, progress of the social housing production and distribution, land market, the scale of demolition, etc. Of course, these data can be exaggerated and even contradictory given that the authorities have incentives to manipulate statistics for the benefits of their programs and individual careers. One major concern, for example, is the reliability of the data on relocations, given that these became a major focus of government-society tension in the 2000s. Yet I also found that local authorities were quite frank about the amount of the dwellings they demolished, partly because they considered it as evidence of their efficiency in implementing their policy agenda. There are also several ways to triangulate the validity of the data. For example I was able to validate the data provided by the prefectural government by triangulating with those provided by the district governments. In general, although the data found in Nanjing are far from perfect, I am confident that I was able to reflect the general trends of housing and urban development in the city.

In the Mexican case I was able to access the data at various administrative level provided by major public agencies and secretariats, including INEGI, INFONAVIT, CONAVI and SEDESOL, among others. I obtained a record of urbanization authorizations with the assistance from Dr. Edith Jiménez at the Universidad de Guadalajara – also one of my committee members. I accessed and reviewed mainstream local media reports on social housing development and the conditions in social housing projects. These local news agencies include *El Informador*, *Milenio*, *Mural* and *La Jornada*, mainly through the database *vlex*.[9] I also consulted a weekly local newspaper *La Verdad*, where several

[9] Link: https://vlex.com.mx/

journalists living in the municipality provide a lot of valuable information, reports and (critical) opinion.

Fieldwork was an important element in both Nanjing and Guadalajara. In both cities I conducted in-depth interviews, surveys and observation during the field trips. In the Prefecture of Nanjing[10] -- my home town where I was born and raised -- I interviewed local officials in a variety of positions, including officers who worked on relocations, on social housing construction and distribution, on the management of social housing projects (Illustration 1.5). I visited a dozen of social housing projects all over the city, and conducted 150 questionnaire surveys in three large social housing projects: Huanggang, Maigaoqiao and Jingming Jiayuan. The first two projects were among the four mega social housing projects constructed and inaugurated in the 2010s, and had 17,000 and 17,500 dwellings respectively, while Jingming Jiayuan was inaugurated in the early 2000s and accommodated 6,754 households.

In the Metropolitan Area of Guadalajara, I undertook participant observation by living for more than one year in a social housing project named Hacienda Santa Fe. Located in Tlajomulco de Zúñiga (aka Tlajomulco), where over 100 social housing projects were constructed, Hacienda Santa Fe is one of the largest social housing projects in the country, with over 15,000 dwellings. It was constructed by Homex -- the then leading company of the social housing industry. The first phases of the project were inaugurated in 2004, and President Vicente Fox attended the ceremony of inauguration. There I developed a rich rapport and network with the local community and government officials (Illustration 1.6).

[10] Note that a prefecture is not necessarily a metropolitan area, though the two concepts overlap to certain extent. In China, a prefecture is designated administratively and a province is divided into various prefectural-level entities. A prefecture is usually formed by various districts and counties, and the prefectural government in China is in between the provincial government and the county-level government. For a comprehensive review of the Chinese urban system, please see Chan (2010). In contrast, in Mexico, a metropolitan area is most likely to form when the urban built area of the neighboring municipalities became connected as a result of urbanization. Municipal governments in a metropolitan area are politically and judicially equals, and they coordinate over metropolitan affairs. Yet, a metropolitan area is not an administrative level, and thus a "metropolitan government" does not exist in Mexico.

I not only obtained a first-hand knowledge of dwellers' experiences of moving-in and the living condition in the social housing projects, but was also able to conduct participant observation by assisting in neighborhood meetings, and in general, participating in the daily life of the neighborhood.

Illustration 1.5. Fieldwork in Social Housing Project Huagang, Nanjing

Illustration 1.6. A Mural in Social Housing Project Hacienda Santa Fe that Local Artists and Neighbors Painted before I Ended the Fieldwork

It should be noted that I do not offer a "comparative ethnography" in the dissertation, and I consider this as an important limitation of the dissertation. One reason is that the unequal access I gained and the very different positionalities I carried in these two contexts. In Nanjing, I was a native but paradoxically perhaps found it difficult to obtain access to interview both social housing dwellers and the authorities. The design of social housing projects in Nanjing (predominantly high rise developments), posed a further physical obstacle for me to access and interact with the dwellers. Local authorities in Nanjing in general were not willing to be interviewed, particularly regarding relocations or unauthorized housing projects, although I managed to interview some of them by mobilizing my own informal social network.

In Guadalajara I was a foreigner but after an initial period developed almost full rapport with many members of the community. It is beyond the scope of this research to reconcile these tensions and contradictions, but this imbalance between observation and surveys meant that I felt unable to provide the "thick description" and a more grounded ethnographic account in Chapter 6 that I had originally intended. Instead I was limited to present the main approaches of housing access in social housing projects and the broad features of the living experience in these projects. As the main focus of the dissertation is on the State and policy, in Chapter 6 I prioritized the policy outcomes and the community and households' response to those policies albeit in a rather general way. That said, I should point out that the ethnographic work I conducted helped me to triangulate and make sense of the data I acquired in the archive research.

1.4. Chapter Organization and Dissertation Structure

This dissertation is organized as follows. Chapter 1 has introduced the research background, main research questions, a broad literature review, possible contribution of the research, as well as the principal research methods. Chapters 2 and 3 focus on national housing policy development in China and Mexico respectively. Chapter 2 focuses on China

and the planned economy that prioritized the heavy industry and the formation of a large public rental housing stock in Chinese cities. Yet, given that industrial investment, housing production and social welfare was largely marginalized, and there was a rampant deficit of housing throughout the period of the planned economy. I document the market-oriented housing reform in the country that began in the 1980 and was consolidated in early 2000s, and which led to a redefinition of the meaning of housing, a shift in the State's role in social provision, but at the same time led to new forms of inequality and exclusion. I also outline the current housing policy framework in the country, in which social housing was one of the key components.

Chapter 3 reviews the evolution of housing policy in Mexico. The predominant form of housing access during the State-led, Import Substitution Industrialization (ISI) period was self-help informal housing, although a small-scale social housing development was also used as a tool of political corporatism. After the 1982 Debt Crisis, a general neoliberal transformation in the country restructured the housing policy, in which the primary public housing agency INFONAVIT was transformed from a leader of housing construction to a facilitator to the private investment in housing development. In particular I summarize the key roles of the public sector in triggering a mortgage boom among the low-income urban working class in the 2000s. The last section of the Chapter compares the trajectories of social housing policy in China and in Mexico and I argue that the different approaches to industrialization and different post-revolutionary state formation processes led to the variation in housing policy in these two countries. This variation, in turn, posed powerful structural and institutional constraints that led to the different approaches to social housing in China and in Mexico.

Chapters 4 and 5 are two case studies of the social housing policy in the Prefecture of Nanjing (Chapter 4) and in the Metropolitan Area of Guadalajara (Chapter 5). Here I document the urban and housing development in the city, housing options for the low-income urban population, the land regime, as well as the scale and model of social housing development. In these discussions I highlight the urban agenda promoted by the local authorities, as well as the structural constraints within which they operated (such as

political regime, central-local governmental relationships, governance, etc.) in order to better understand what motivated the local authorities to promote social housing development in their jurisdiction. I also attribute the different roles that local authorities play in urban development to the different land and political regimes in China and in Mexico.

Chapter 6 takes a community and household grassroots perspective to explore the conditions in the social housing projects in each city, as well as the dwellers' experience based largely on my fieldwork in the two sites. Comparison of these broad features allows me to argue that, despite their different approaches, social housing development in both Nanjing and in Guadalajara is based on various forms of exploitation and abuse. It represents more of accumulation by dispossession rather than a genuine advance in housing rights. Finally, Chapter 7 summarizes the key analytical lessons of the research and discusses its policy implications of the research as well as some avenues for future research.

Chapter 2. Housing Policy in China: 1950-2015

In this chapter I will review the evolution of housing policy in China from 1950 to 2015.[11] Between the 1950s and the 1980s, a housing regime dominated by public rental housing was established and consolidated, while the private housing sector was largely limited and reduced. By 1985, the public rental housing counted for about 75% of the country's urban housing stock. However, severe housing shortage persisted. The Chinese government launched a market-oriented housing reform in the 1980s and 1990s. This reform not only significantly increased housing production, but also began to reshape the meaning of housing: from a non-productive consumption good for the reproduction of labor force to a commodity and a stimulus to the national economy. Meanwhile, new forms of housing inequality and exclusion emerged.

This chapter will also summarize the most recent frameworks of housing policy, which mainly consists of three components: government intervention in the commercial housing market, housing provident fund and social housing development. Here I will focus particularly on the political economy of the housing policy: how is the housing policy embedded in the regime of accumulation and the role of the State in the regime of accumulation? In the recent two decades, housing policy has been dominated by the central government's concern over macroeconomic performance. The recent social housing development, while used to fix the market failure, is primarily a stimulus plan in response to the 2008 Global Financial Crisis. That said, in order to make the housing regime more inclusive, structural changes should occur to enable the central government to redefine housing in its policy agenda.

[11] For major historical events in China since the 20th century, please see Table 2.1. For a brief timeline of the urban and housing development in China between 1950s and 2010s, please see Table 2.2.

2.1. Housing Policy under the Planned Economy (1949-1979)

This section will examine how the China's housing policy under the planned economy was related to the country's development model of the time. The three main components of the housing policy in this period consist of the expropriation of private rental housing, self-building and slum upgrading, as well as public rental housing. I will also discuss how this policy model went into crisis by late 1970s.

When the Communist Party of China took power in 1949, the priority of the new regime was to restore the political and social stability in the city and recover the economy. Following this transition period (1949-1953), the communist government launched its First Five-Year Plan (1953-1957), which established a new accumulation regime that was based on public ownership, command and economic plans. The goal of the planned economy was to achieve a complete and independent industrial system for the country, in which the heavy industry was considered as the priority. During the First Five-Year Plan, China launched 156 large industrial and infrastructure projects with aid from the URSS, as well as a "socialist transformation campaign" that converted the private sector into state or collective ownership. The domination of public ownership was achieved largely through confiscating the properties of the old regime and buying out private companies (not without coercion). By the end of 1956, 99% of the entities in the private industry sector and 82.2% of the entities in the private commerce sector had been bought out (Huang 1994).

Severe urban housing shortage and dilapidation persisted as an urgent issue to address.[12] The existing urban housing stock had already been severely damaged during the Japanese invasion (1937-1945) and the civil war (1945-1950). To make it worse, although China was predominantly rural at the time (with only 11.8% of the total population classified as urban [UNDP 2014]), urban population increased rapidly with the influx of refugees who fled wars and famines in the rural area, or migrants who were attracted by

[12] Li (2016), Wang (2015), Zhang (2009a, Chapter 4), and Zhao (2012) discussed in detail the precarious urban housing condition when the Communist Party took power in 1949.

job opportunities in the city when the industrialization initiated.[13] While the total population of the country increased by 2% between 1950 and 1955, the urban population increased by 5.21% (UNPD 2014).

Table 2.1: Major Political and Economic Events in China since the 20th Century	
Year	Event
1911	The Chinese Revolution of 1911 (end of the monarchy and the founding of the Republic of China)
1937-1945	The Japanese Invasion during the WWII
1945-1950	Chinese Communist Revolution
1949	Proclamation of the People's Republic of China
1950s-1980s	Planned economy: industrialization that prioritized heavy industry; market and the private sector largely eliminated. Annual GDP growth rate between 1960 and 1980: 5% (constant 2010 US$)
1958-1961	The "Great Leap Forward" (a radical industrialization and rural collectivization campaign) and the Great Chinese Famine
1966-1976	Cultural Revolution
1980s-	Mixed economy with the State controlling key economic sectors; a more diversified economy; insertion into the global market. Annual GDP growth rate between 1980 and 2015: 9.7% (constant 2010 US$).
1978	"Reform and Opening Up"
1989	Tiananmen Square Protests
1997	Asian Financial Crisis
2001	The admission of China to the World Trade Organization (WTO)
2003	SARS epidemic
2008	Global Financial Crisis

(Source: the author's own elaboration; GDP data: World Bank Open Data)

Table 2.2: Evolution of Urban and Housing Policy in China: 1950s-2010s	
1950s-1980s	• Public rental housing as the predominant form of housing provision in the city; • Expropriation of private rental housing; • Tolerance of existing self-built housing in the urban area

[13] For example, the population of Wuhan increased from 900,000 to 1.3 million between 1937 and 1952, but the housing stock was reduced by 10,177 buildings, and 38% of the urban population lived in slums in 1952 (Zhang 2009a: 92, 93).

1958-1980s	Strict restriction against rural-urban migration through the household registration (Hukou) system
1960s-1970s	De-urbanization
1980s-1990s	Housing reform: commercialization of housing development, privatization of the socialist public housing stock; rapid urbanization under the "economic reform and opening up".
1982	The new Constitution eliminated urban private land. Since then, all urban land is of public ownership in China.
1988	Modification of the Land Management Law that allowed the local government to lease out the land-use rights in urban area
1991	Creation of the Housing Provident Funds (HPF)
1998	Public-sector work units no longer allowed to allocate housing to their employees
2000s-2010s	Commercial housing development prioritized; Government rigorously regulates the real estate economy; social housing first marginalized but then significantly expanded after the 2008 Global Financial Crisis; rapid urbanization continues.
2003	Real estate sector declared as the backbone of the national economy, in response to the 2003 SARS epidemic
2008	Social housing development as part of the stimulus plan after the Global Financial Crisis
2011-2015	The 12th Five-Year Plan established to construct 36 million social housing dwellings nationwide.

(Source: the author's own elaboration)

2.1.1. Expropriation of Private Rental Housing

Private rental housing was the predominant form of housing access when the CPC took power (Shen et al. 2012). By 1955 private housing still counted for 54% of the urban housing stock in Beijing, 66% in Shanghai, 78% in Jinan, 61.3% in Nanjing, and 86% in Suzhou. In Shanghai, 70% of the private housing was for rent, 75% in Harbin and 72% in Qingdao (Secretariat of the Communist Party of China 1956). Rental housing was mainly operated by private real estate companies, big landlords or regular urbanites who owned extra rooms. Tenant-landlord conflicts became increasingly tense.[14] The new regime

[14] In Nanjing, between June and December of 1949, 38% of the civil lawsuit cases (1,094 cases) had to do with disputes between tenants and landlords (Zhang 2009a: 94).

enforced measures such as rent control to alleviate the housing crisis and gain the support of the mass of the population (the tenant sector). Many expected that the Party would simply expropriate and redistribute the private rental housing following the example of the land reform in the rural area (People's Daily 1949; Zhang 2009a: 95-99). However, though landlords and brokers were viewed as exploiters and the new government promised to regulate the rental housing market in favor of the tenants (Zhang 2009a), private property and the private rental housing market were preserved during the first years under CPC's rule, as the new regime lacked resources to produce large amount of new dwellings, and it was still seeking alliance with the national and the petty bourgeoisie.[15] Tenant-landlord relationship continued being tense and chaotic, and private landlords were unwilling to produce new housing or repair the existing one.

The government extended the socialist transformation campaign to the urban housing sector in 1956. According to the authorities, direct government control could improve the efficiency of the use of the existing housing stock, particularly when new housing production was lagging. Private real estate companies were converted into public or collective ownership. Landlords whose rental property were larger than a certain floor area were asked to keep only a certain floor area[16] for their own use and to hand in the rental property to the municipal government. The latter then turned the property to public rental housing, and the former landlords got share of the revenues (often 20-40% of the monthly rent – see State Council of the People's Republic of China 1964). Unlike the socialist transformation campaign in industry and commerce, which was complete in less than a year, the socialization of private rental housing met fairly strong resistance in numerous cities. By 1960, 14% of all the cities and two thirds of the counties had not

[15] On August 11, 1949, less than two months prior to the proclamation of the People's Republic of China, a communique in People's Daily made it clear that the new regime would recognize and protect private property in the city. Citing the volume III of the Capital, the communique carefully distinguished the nature of the urban housing (a product of labor) from the rural land (an organic [or natural] thing).

[16] This floor area was established by local government and thus varied according to cities: in general, 150 sq. m. in large cities, 100 sq. m. in medium cities, and 50-100 sq. m. in small cities and towns (State Council of the People's Republic of China 1964).

launched the campaign yet (Zhang 2009a: 100). However, the campaign was radicalized in the 1960s, such that by 1964 a total of 100 million sq. m. of private rental housing had been converted to public rental housing (State Council of the People's Republic of China 1964). During the political turmoil of the Cultural Revolution (1966-1976), many urban private homeowners were sent to villages for political accusations or in the ideological campaigns, and their dwellings were confiscated (or expropriated with little compensation) and converted to public rental housing (Zhang 2009a).[17]

2.1.2. Self-built dwellings and slum upgrading

Self-built dwellings and slums prevailed in many Chinese cities when the CPC took power. They were often located in vacant land, trash dump, river bank, or along the railway. Shanghai had a population of 4.14 million in 1949, and 1.15 million lived in shacks built with provisional materials such as straw and bamboo (Chen 2007, General History of Shanghai 2005). In Wuhan, by 1952, 38% of the population lived in shacks (Zhang 2009a: 93).

Since the 1950s, local governments had attempted to relocate the slum dwellers to newly-built housing projects. However, as the government never invested sufficient resources in formal housing production, this approach did not prevail. Rather, local governments assisted in slum upgrading by providing infrastructure and essential services such as public hygiene, running water, street light and street pavement (Wang 2015). Occasionally, they also encouraged and assisted slum dwellers to acquire construction materials within the economic plan or from the market, though the market had been significantly reduced under the planned economy (Zhao 2012, Li 2016). Some of the slum upgrading cases have been widely reported to showcase the socialist government-mass

[17] Not until the early 1980s had some of these properties been returned to their original owners by the state; even so, many occupiers did not move out as they could not find any place to live either (Zhang 2009a).

relationship,[18] and many slums survived the period of planned economy and were, to a certain degree, integrated into the city. In Shanghai for example, the floor area of the dwellings considered "provisional" or "shacks" had not substantially diminished until the 1980s (Figure 2.1), although a lot of them had been consolidated and replaced with permanent construction materials, and even had been developed into buildings of several floors to accommodate the need of family expansion (Chen 2007).

The government took an ambivalent attitude towards self-building. On one hand, the authorities' general attitude was to restrict it and prevent the formation of new slums. Yet, new slums were occasionally formed (Li 2016), particularly where the restriction against internal migration was effectively enforced, or when construction materials were freely available in the market. However, as the government tightened its control over population mobility through the household registration regime (*the Hukou regime*),[19] and over access to construction materials and urban land, new slums did not proliferate in most cities. On the other hand, self-building was considered as a pragmatic solution to the housing deficit among the registered urban residents (Li 2016) or employees of the public sector (Zhao 2012). Since the 1950s, work units[20] (especially factories) occasionally organized cooperatives among employees to self-build dormitories or apartments, and

[18] *Long-xu-gou* ("Dragon Beard Ditch"), one of the most renowned Chinese dramas of the 1950s, presented the transformation of a neighborhood called Long-xu-gou in Beijing from a miserable slum before the revolution to an example of reconstruction under the leadership of the CPC.

[19] The household registration (Hukou) system, analogous to a "domestic passport" system, has existed in China since 1958. It basically categorizes citizens into "rural" and "urban". Access to social services and welfare programs are associated with the status of one's household registration. There are channels to change one's household registration category, such as higher education, investment in real estate, military service etc. Nevertheless, it is difficult to reach these requirements, especially for the socioeconomically disadvantaged groups such as rural migrant workers (see Fan 2008).

[20] In the Chinese context, work unit (Danwei) is a form of work organization. It can be a factory, a school or a government agency, among others. A work unit "functioned as a social 'unit' in the system dominated by the redistributive state" (Wu 2013). Work unit members usually carry out their domestic and social activities within the work unit. Under the planned economy, the majority of the urban population was organized in their work unit (Bjorklund 1986).

provided assistance in land, funding and construction materials. This approach proved to be less costly than government-built public rental housing (Zhao 2012).

Thus between 1950s and the 1980s, self-building was an important alternative to the production of government-led new housing production. However, the scale of self-building was restricted by government policy and the availability of resources. In the 216 cities of the country, only 2.8% of the newly-constructed dwellings in 1979 were self-built in terms of floor area (General Office of the State Council of the People's Republic of China 1981), and served to accommodate the housing need of urban registered residents or work units employees, rather than migrants who came under strong restrictions during this period.

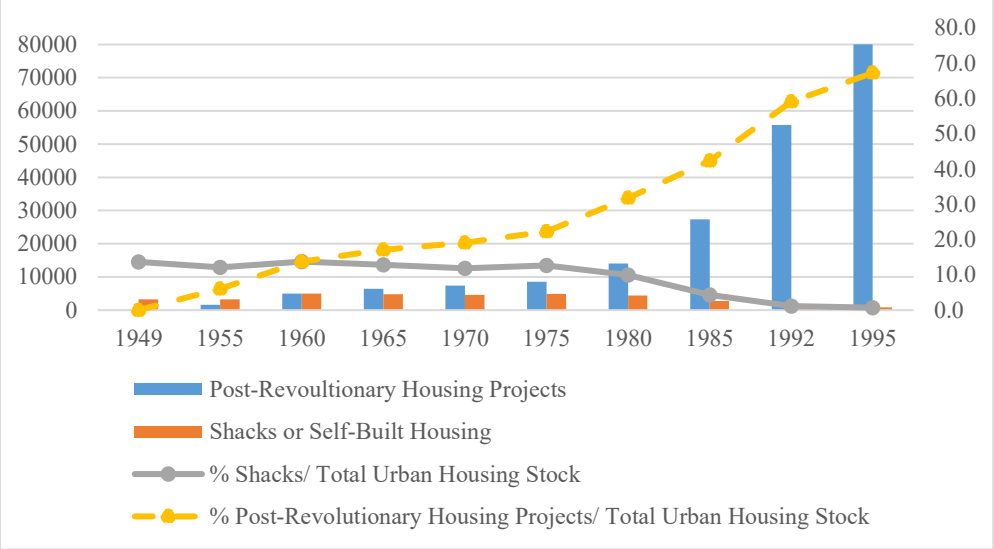

Figure 2.1: Urban Housing Stock in Shanghai: 1949-1995 (floor area, in 1,000 sq. m.)

(Source: *General History of Shanghai* [Vol. 27], 2005)

2.1.3. Government-led housing construction

The government-led housing construction created a significant public housing sector from 1950s to 1990s. Public housing was constructed and managed by either work

units or the municipal housing, and then assigned to workers as rental housing. In 1978, 33.4% of the country's urban housing stock was rental housing built and managed by the municipal housing bureaus, 46.1% by work units, and 20.5% was owned by individuals (Barlow 1988, p. 6). Under this housing regime, rents in public rental housing were heavily subsidized: urban residents rent payment as a proportion of income dropped from 2.1% to 1.1% from 1956 to 1985, not even enough to cover the cost of maintenance (ibid). Public rental housing at the time not only provided housing access, but also produced a form of social organization that placed emphasis on self-sufficiency and social control within the work-units. These public housing projects often sought to reduce the separation between the work place and home (Chaichian 1991), and had facilities such as school, community activity room, post office, or even a public library.

The fact that the public sector became almost the sole agent in housing provision is largely the result of the accumulation regime of the time: a Soviet-type planned economy that prioritizes heavy industry (see Figure 2.2).[21] Because the heavy industry is generally capital-intensive and capital is usually scarce in pre-industrial countries, the communist regime employed a variety of strategies to guarantee that a maximum amount of resources (especially capital and materials) was invested in heavy industry (Liao and Lin 2013). Under State control the allocation of resources is not based on market mechanism, but on command and economic plans. The government also intended to minimize the cost of the social reproduction of labor. Social reproduction of labor was done through direct State provision (but only at its minimum level). Wages and consumption were suppressed to satisfy only the workers' basic needs and to complement what the State provided (Lin et al. 1999). Between 1952 and 1981, the average productivity of employees of state-owned enterprises increased by 183%, but the average salary in real terms increased by only 29.4% (author's calculations based on China Statistical Yearbook 1981: 5-11, 426).

[21] The sectors that received the most investment between 1953 and 1980 include the metallurgical industry, the coal industry, the industry of electric power, the chemical industry, and the machine industry (China Statistical Yearbook 1981: 299-300).

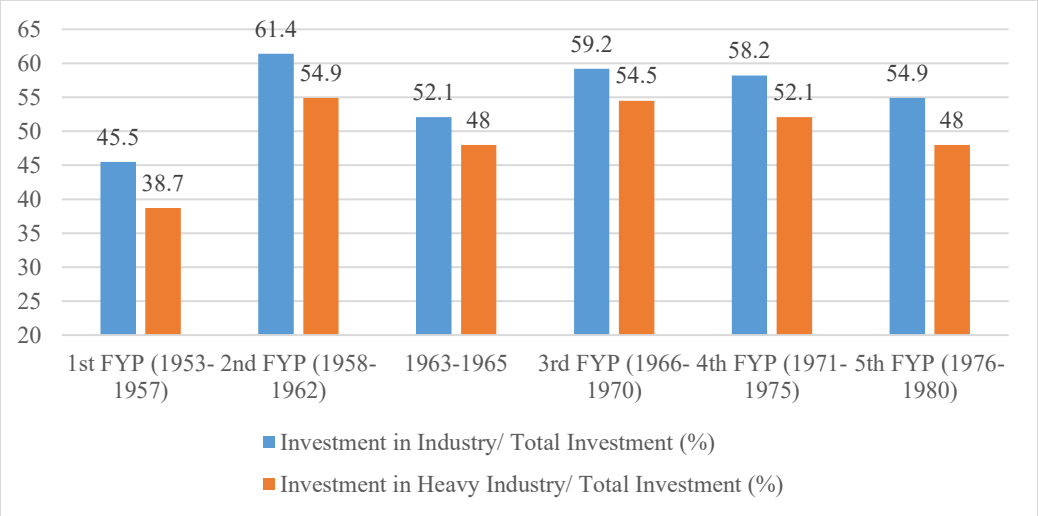

Figure 2.2: Heavy Industry as Priority in Capital Construction Investment, 1953-1980

(Source: *China Statistical Yearbook*, 1981: 299-300)

The industrialization and the increasing rural-urban inequality triggered a rapid growth of the urban population during the first half of the 1950s, as had happened in other developing countries. China's urban population increased 42 million between 1949 and 1957 (from 57.65 million to 99.49 million), and it is estimated that 25 million were migrants from the rural areas (Zhang 2003). This exacerbated the already widespread shortages in the city. From the late 1950s the rural-to-urban migration was significantly reduced by the creation of a household registration system and by collectivization programs in the rural area. Moreover, when the public sector was not able to maintain even the minimum level of social provision in urban area, the government sent large amount of urban residents to villages, using coercion or ideological campaigns. [22] Through the 1960s

[22] In the aftermath of the Great Famine (1959-1961), more than 18 million workers in the city were ordered to leave the city (most of them were hired by factories during the Great Leap Forward [1958-1960] and returned to their home village) from 1961 to 1963 (Li 2001). Later, between 1967 and 1980, the CPC launched an "Up to the Mountains, Down to the Villages" Movement. During these 13 years, about 16.5 million urban dwellers (most of them were youth) were sent to the rural area (the urban population of 1980 was about 134 million). They lost their urban household registration, and were supposed to settle and work in the people's communes or state farms (Bonnin 2005). Though at the time the CPC portrayed the movement as an ideological campaign aimed at encouraging the urban youth to "learn from the peasants" and constructing an egalitarian society,

and 1970s, the country's degree of urbanization remained low; in fact the country was less urbanized in 1975 than in 1965 (Figure 2.3 and Figure 2.4).

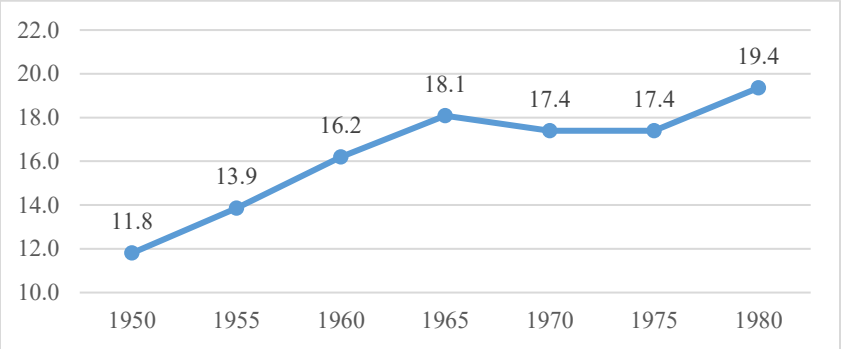

Figure 2.3: Degree of Urbanization in China, 1950-1980 (%)

(Source: United Nations, Department of Economic and Social Affairs, Population Division [2014], *World Urbanization Prospects: The 2014 Revision*, CD-ROM Edition)

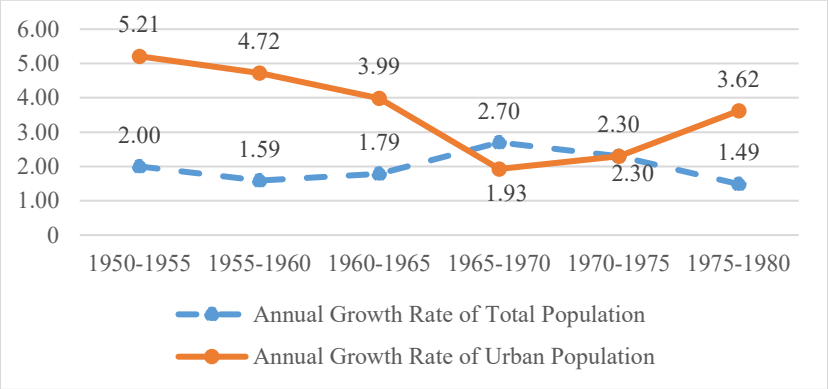

Figure 2.4: Annual Growth Rate of the Total Population and the Urban Population in China: 1950-1980 (%)

(Source: United Nations, Department of Economic and Social Affairs, Population Division [2014], *World Urbanization Prospects: The 2014 Revision*, CD-ROM Edition)

many believe that it was the government's response to its inability to continue the full employment policy and social provision in the city, in a context of rapid population growth and the political and economic turmoil during the Cultural Revolution (1966-1976) (Bonnin 2005, Ren 2003).

In this context, housing was seen by the regime as a consumer good in the "non-productive sector".[23] The urban housing sector was marginalized in state investment (Barlow 1987, Lalkaka 1984). The housing supply was determined by the state's financial capability to allocate capital for housing projects, not by the forces of demand (Chaichian 1991), and the proportion of capital construction funds allocated to housing was never higher than 8% between 1958 and 1977 (Figure 2.5). For the same reason, although self-building and co-operative housing seemed appealing housing options, they were restricted under planned economy and under the State's firm control over funding and construction materials (Zhao 2012, Li 2016). In sum, the communist regime deals with the housing shortage not only by investing in new housing production, but also by minimizing construction standard, restricting rural-to-urban migration, eliminating housing and land market, a forced housing redistribution and intensifying the use of the existing housing stock.

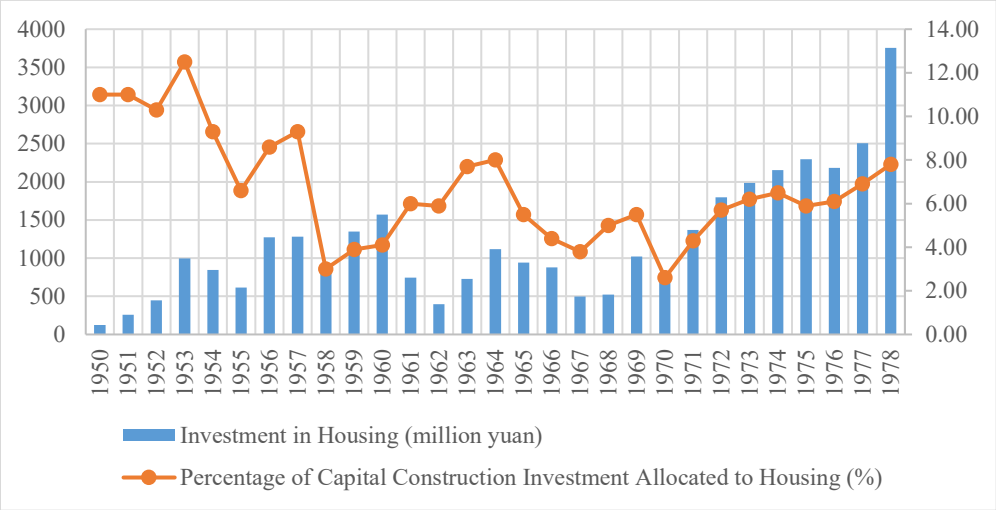

Figure 2.5: Housing Investment in China: 1950-1978

(Source: *China Statistical Yearbook*, 1981: 309)

[23] Until 1992, the China Statistical Yearbook still classified investment in housing production as "non-productive investment".

As a result, the outcome for housing was rather poor and the deficit worsened throughout the period of planned economy. Overcrowding was common: the national average per capita living space dropped from 4.5 sq. m. in 1952 to 3.6m sq. m. in 1978, and in 1978 some 6.89 million urban households, or 35.8% of the urban households were classified as living with "insufficient floor space" (Lee 1988). In Wuhan, around 40% of the dwellings in 1979 was considered "dilapidated", "dangerous" or "poor" (ibid.). The bulk of urban housing lacked basic facilities such as kitchen and bathroom and a 1985 National Housing Survey showed that apartments with exclusive use of kitchens and toilets accounted for only 26% of the total housing (Barlow 1988). Despite its egalitarian appearance, the housing regime under the centrally planned economy generated considerable inequality (Lee 1988), and most applicants to public rental housing were on a waitlist for a long time, and conflicts and struggles during the housing allocation were notorious. The access to housing was largely determined by seniority, by the organizational characteristics of the work units and by one's household registration status.

2.2. Housing Reform during the 1980s and 1990s.

Section 2.2 and 2.3 will discuss the market-oriented housing reform in China in the 1980s and 1990s. This reform was initiated by the central government as a pragmatic response to the severe housing crisis at the time, but it was also an indispensable component in the economic reform and opening. I will highlight the gradualist character of the housing reform in China.

In the late 1970s, it became apparent that the public sector alone was unable to reduce the housing deficit. Between 1976 and 1980, adding to the natural increase of the urban population (around 1% annually), more than 10 million former urban residents who had been earlier sent to settle in the villages returned to the city where they previously lived (Bonnin 2005: Table 2). The 1980s witnessed the beginning of the rapid urbanization of China: the urban population grew annually 4.87% between 1980 and 1985, then 4.75%

between 1985 and 1990. Although the urban population growth has slightly decelerated since then, currently it is still growing at above 3% annually, much higher than the total population. The proportion of the total population residing in the urban area increased from 19.4% in 1980 to 55.6% in 2015 (see Figure 2.6 and Figure 2.7).

Initially, policy makers sought housing solutions within the framework of the planned economy: that is to increase government housing investment (Figure 2.8);[24] increase the production of construction materials; to reduce the costs of construction; and to reinforce government control over housing production and allocation (State Council of the People's Republic of China 1978, National General Bureau of City Construction 1980).

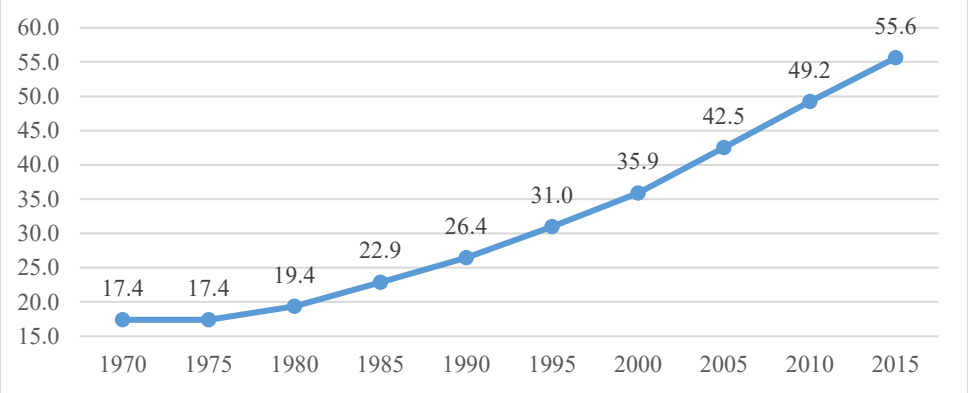

Figure 2.6: Degree of Urbanization in China: 1970-2015 (%)

(Source: United Nations, Department of Economic and Social Affairs, Population Division [2014], *World Urbanization Prospects: The 2014 Revision*, CD-ROM Edition)

[24] Figure 2.5 showed a surge in housing investment in both relative and absolute terms between 1980 and 1985. Investment in housing production was above 20% of the total investment in fixed asset, except for 1984 (18.1%). This was in a sharp contrast to the previous period (1953-1978), where housing investment never exceeded 8% of the total investment in fixed assets.

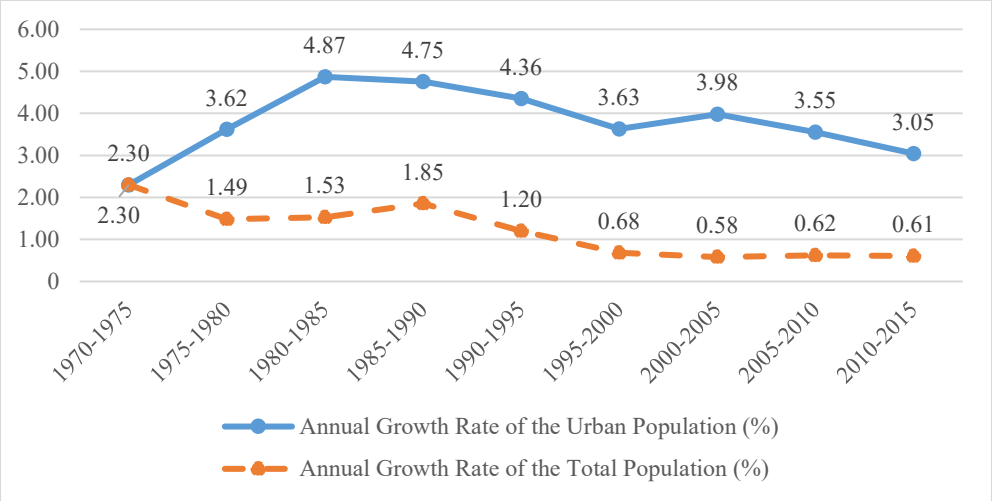

Figure 2.7: Annual Growth Rate of the Total Population and the Urban Population in China: 1970-2015

(Source: United Nations, Department of Economic and Social Affairs, Population Division [2014], *World Urbanization Prospects: The 2014 Revision*, CD-ROM Edition)

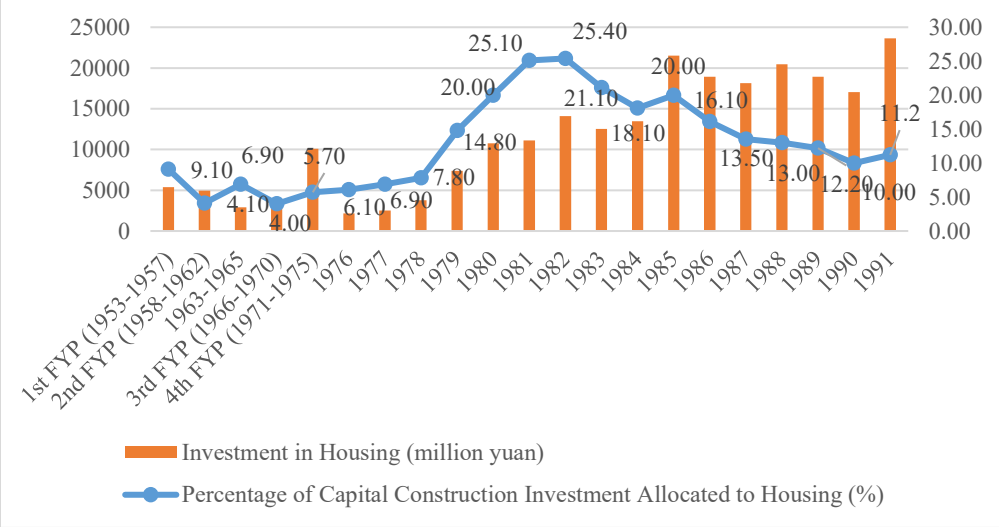

Figure 2.8: Housing Investment in China: 1953-1991

(Source: *China Statistical Yearbook*, 1981, 1992)

In 1980, Deng Xiaoping urged that the construction and the housing industry could become a pillar of the national economy, that the population should be allowed to purchase their dwelling or self-build, and that differential ground rent should be allowed (Construction Economy 1985). This triggered a heated debate in the country, often ideologized (General Office of the State Council of the People's Republic of China 1981), and Deng's proposal marked the beginning of the housing reform. The core components of which came to redefine the meaning of housing and the role of the state in housing provision. In other words, the government intended to solve the severe housing deficit by diversifying agents in housing production, to relieve the public sector from the financial and administrative burden of housing production and management, as well as to recognize housing as a commodity and a potential stimulus to the economy.

While this section does not intend to focus on the technical details of these policy initiatives, it is nevertheless important to discuss their broad features. The housing reform was gradual in nature, and was similar to reforms in other spheres during the 1980s and 1990s.[25] Instead of dismantling the old system overnight and replacing it with a market economy through a shock therapy, the Chinese reform first creates a market tier that is allowed to coexist with the old system (or government plan). While the authorities restructured the old system in a somewhat precautious manner, they also actively fomented the new market tier which when sufficiently large and sound would replace the old system (Naughton 2007: 91-93; Wang 2009). While this type of reform is widely criticized for

[25] The housing reform drew on experiences from both abroad and local pilot projects. Chinese embassies were asked to brief on the housing development and housing policy of their host country (Bao 2015). The housing privatization and commercialization in the Soviet Union and Eastern Europe, as well as the gap in housing condition between China and advanced capitalist countries, enhanced the legitimacy of a market-oriented housing reform. The commodification of land-use rights was introduced from Hong Kong (which will be discussed in more detail in chapter 4). Pilot projects of housing voucher, rent increase and sale of public rental housing at subsidized price were first launched in a few cities. They were promoted to the country if they turned out to be successful. The housing provident fund is another good example: it was first experimented in Shanghai in 1991 based on the Singaporean model, and then promoted to all the country in 1994.

encouraging rent-seeking behaviors, it does allow some extent of trial and error, and reduces the resistance from those with a vested interest in the old system.

In the housing sphere a new tier of commodity housing was created. Local governments' offices of housing construction were converted to become "urban development companies" which engaged in urban development and housing construction as independent accounting enterprises (not as government branch) (Zhang 2008). The commodity housing units that they constructed were no longer assigned directly as public rental housing as in the past, but were sold to individuals or to work units.[26] Several important official documents, such as the 1984 Government Work Report and the Political Report of the 13th CPC National Congress (1987) confirmed the necessity of promoting the commodification of housing and establishing a real estate market (Zhang 2008). Two legal frameworks implemented in this period were of particular importance: first, the revision of the Constitution and the Land Administration Law in 1988 that allowed the commercialization of land use rights,[27] and second, the establishment of the Urban Real Estate Administration Law in 1994 that regulates the real estate development.

By the 1990s, important institutional and financial infrastructures for the commercial housing market had been established, including the housing provident fund, property transaction registries and home mortgages, etc., although a lot of these institutional arrangements were still highly premature and weak (Xie 1993). In this context, the nascent Chinese real estate sector hit its first boom in 1992 when investment into the real estate sector increased by 117% from the previous year (216% in Hainan Province, and 211% in Guangdong Province [Chen and Yang 1993]).[28] Similarly, the number of real estate companies increased from less than 4,000 in May 1992 to about 30,000 by the end of 1993 (Zhang 2008). The main products of this real estate boom were high-end residential

[26] That being said, many work units bought these commodity housing and assigned them as public rental housing to their employees. In 1988, only 28.3% of the commodity housing units produced in that year were directly sold to individuals (Zhang 2008).

[27] Chapter 4 will discuss the land regime in China in detail.

[28] Foreign investment and investment from Hong Kong played an important role (Pan 1993)

dwellings and office buildings, but this supply was not sustained by the housing demand of the majority of the urban population.[29] In the following year, the central government realized the speculative nature of the boom and its disruptive effects on the macroeconomic stability, and decided to enforce tighter control over investment. The real estate bubble quickly burst, leaving a wave of bankruptcy among developers and widespread abandoned construction sites. The 1992 real estate boom showed the government the enormous potential of the real estate sector in attracting investment, but the government also learned the importance of a rigorous regulatory framework for the healthy development of the sector.

The government encouraged self-building or housing cooperatives, particularly in secondary and small cities where land supply was not as tight as in large cities. In 1995 local governments launched a campaign of affordable housing targeting the middle- and low-income urban population living in housing deficit and forms the precursor of the current social housing system in China.

Regarding the old housing regime, the government intended to reduce subsidies in rent in the expectation that this would allow better funding for maintenance of the existing housing stock. The government also encouraged state employees to buy their rental home at a subsidized price. However, the reform did not advance smoothly (Chen 2010): people remained un-enthusiastic about obtaining private housing ownership, given that public housing was still heavily subsidized and cheap. After three decades of the communist rule, people had taken for granted the long-term commitment of the public sector in housing provision. More importantly, incomes were so low that very few could actually afford to purchase a dwelling. On occasions the sale of homes was often so heavily subsidized that the central government had to cease in order to curb the loss of state assets (Chen 2010,

[29] The real estate boom in early 1990s mainly targeted foreign or overseas Chinese investors. In some cases, work units purchased commercial dwellings and allocated them to employees as public rental housing. A commercial dwelling at the time was way beyond the purchase power of the majority of the urban population, and institutions such as home mortgage had not been fully developed. As Figure 2.7 shows, in 1991, only a third of the commercial housing was sold to individual buyers.

Ministry of Urban-Rural Development and Environmental Protection 1986, Ministry of Construction 1988). [30]

In sum, the housing reform in the 1980s and 1990s created a two-tier housing regime. It was formed by a tier of commodity housing (including regular commercial housing and affordable housing), and a second tier of the old public rental housing. During the transition in 1980s and 1990s the role of "work unit" in social provision was reinforced (Zhu 2007), creating a grey zone between the two tiers in which many these work units bought commodity housing and assigned them to employees as public rental housing. In other words, the practice in the old system (public rental housing) was introduced and reproduced in the new market tier. Bian and his colleagues (1996) estimated that during the Sixth Five-Year Plan (1980-1985), 60% of the investment in the construction of residential housing came from work units' own funding. This not only produced considerable financial burden for work units, but also exacerbated the housing inequality that had already existed based on the characteristics of the work units.

2.3. Completing the Housing Reform: 1998-2003

In 1987, a research institute affiliated with the then Ministry of Urban-Rural Construction and Environmental Protection estimated that the commodification of the entire housing regime could be achieved by 2030 (China Institute for Economics of Urban-Rural Construction 1987). However, it actually occurred much sooner. In this section, I will document how the housing commercialization in China was consolidated by 2003. By then, macroeconomic concerns had predominated central government's housing policy agenda. I will discuss how the market-oriented reform in China in the 1980s and 1990s is

[30] For example, in 1982, the government launched a pilot project in four provincial cities (Siping, Changzhou, Zhengzhou and Shashi). Public rental housing was sold to dwellers under a tri-party scheme (the government, the work unit and the dweller each pays a third of the construction cost). Yet, in reality, dwellers only paid between 12.32% and 23.4% of the construction cost, which was much lower than the goal (Liu 1985).

embedded in a general transformation of the State's role in the regime of accumulation, as well as in the social reproduction of labor. Finally, I will also identify the main consequences of the housing policy reform.

2.3.1. The Hegemony of Commercial Housing and the Residualization of Social Housing: 1998-2003

In July 1998, the central governmental issued the *Circular of the State Council on Further Deepening the Urban Housing System Reform and Accelerating Housing Construction*, which ordered work units to end housing allocation for their employees. Banks were also forbidden from issuing loans to work units for housing construction (Chen 2010). Restrictions on home mortgages were further loosened, and a market of used housing sales was created. Following the reform the old public rental dwellings were cheaply sold to occupants at a much faster pace. Now, individuals were expected to obtain housing finance from one of the following options: mortgage loans, loans from the housing provident fund, monetary subsidies from their work units, or from reselling the current home that they own. In sum, the 1998 reform pushed the urban population to seek their own housing on the market: in 1991, only a third of the commodity dwellings were sold directly to individuals, and in 2003, almost all were sold to individuals (Figure 2.9; State Council of People's Republic of China 1998; Zhu 2007). The reform essentially ended the "dual track" housing regime and created a considerable stock of private property.

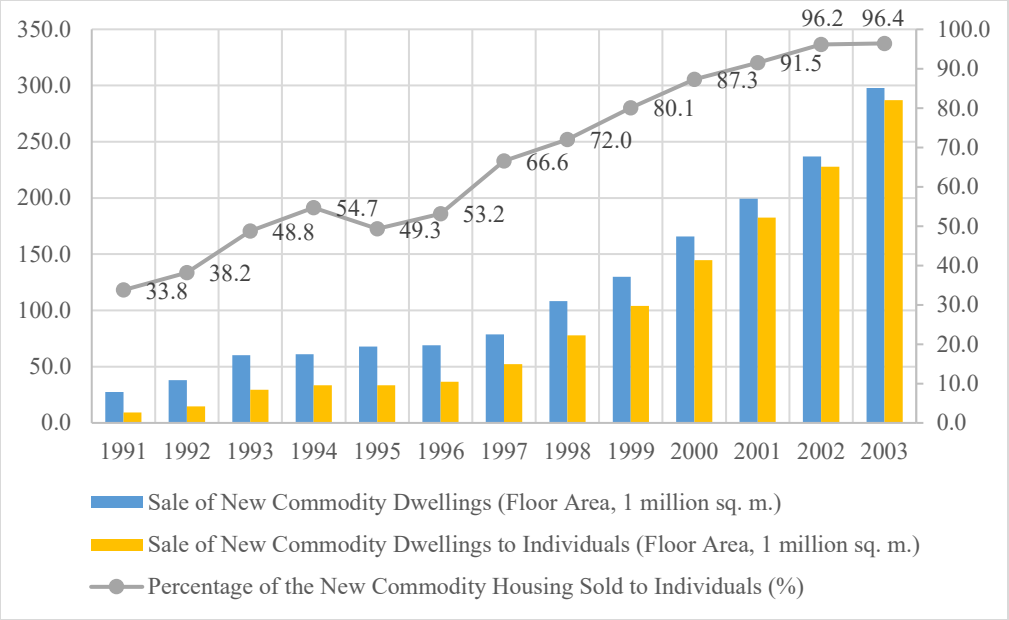

Figure 2.9: Sale of New Commodity Housing in China: 1991-2003
(Source: *China Statistical Yearbook*, 2004, Table 6-48)

Xie Jiajin, a former high-ranking official in the then Ministry of Construction and key participant in the housing reform, in her memoir provides a valuable account of the policy-making process in 1998 (Xie 2009). She explains that by the end of 1997 the central government was desperately seeking new economic growth poles since the country's economy was in a critical situation: the reform of the state enterprises resulted in widespread bankruptcies and mass layoffs,[31] and the demand for exports was significantly reduced due to the Asian Financial Crisis.[32] She notes that Zhu Rongji,[33] then the Vice-

[31] By the end of 1998, 8.92 million former public-sector workers were unemployed (Ministry of Labor and Social Security 1998).

[32] To make the matter more delicate, Hong Kong's economy was severely hit by the Asian Financial Crisis in October 1997, three months after the British Government transferred its sovereignty to the Chinese government.

[33] Zhu Rongji served as the First Vice-Premier from 1991 to 1998 and Premier from 1998 to 2003. He was a key figure in economic management and policy-making from mid-1990s to early 2000s. He led reforms in various aspects: state enterprises, the banking system, higher education, fiscal arrangement, housing, pricing mechanism, government structure etc.

Premier in charge of economic policy, led the housing reform and that he insisted that the single most important goal for the housing reform was to trigger effective demand for the housing market and to stimulate investment. For the first time ever, the central government explicitly used the housing sector as a tool to expand investment and to meet the goal of GDP growth.

> "[Zhu said in a meeting in December 15, 1997] I'm not quite sure where we can find new growth poles! One possible growth pole could be the housing sector, and maybe we should add the IT sector… You probably want to challenge me: what if we are not able to sell out all the new dwellings? But we have to risk. If not, it's going to be very troublesome next year". (Xie 2009: 10)

> "[Zhu said in a meeting in January 14, 1998] 'I'm not interested in discussing how to sell out the public rental housing stock or rent increase for public housing… The purpose of the housing reform doesn't lie in the housing sector; otherwise I won't be here talking with you guys. My focus is new economic growth poles for this coming year'… We [officials of the Ministry of Construction] suggested that economical housing should be rental housing, since this was what other countries do to provide housing to their low-income populations. Zhu responded with some anger: 'I said economical housing will be for sale, not for renting! I don't want to discuss this issue any more. It takes a long time for rental housing to recover the investment, which means it can't serve as a stimulus to the economy. I only care about how to stimulate the economy. Other issues can be left to address in the future.'" (Xie 2009: 43)

> "[The Minister of Construction said in a meeting with provincial housing authorities in March 1998] we want to increase the housing investment by a 10% for this year, so that the housing sector can contribute 0.5-1 percentage point to the GDP growth" (Xie 2009: 55)

Thus one key question for policy makers to address through the 1990s was that if commodity housing was to replace the old system, what does "commodity housing" exactly mean? In other words, what role will the government play in the new housing regime? How will the majority of the urban population obtain access to housing?

Interestingly, both in 1994 and more explicitly in 1998, the central government conceived a mixed housing regime that consisted of commercial housing and social housing. The commercial housing was supposed to target *only* the high-income group and the housing price would be subject to market forces. Social housing was supposed to target the majority of the urban population (middle and low-income groups).The government would offer preferential land and tax policy for social housing development, and would enforce price control to ensure its affordability. For example, unlike in the case of commercial housing, the government would not charge social housing projects for land-use rights(State Council of the People's Republic of China 1998). Social housing was thus roughly divided into two categories: economical housing and public rental housing. For economical housing the profit margin was set to 3% of the construction cost (State Council of the People's Republic of China 1998) and the ownership is shared between the homebuyer and the government, and certain restrictions are imposed on its resale to the market. Public-rental housing was supposed to go to the lowest-income urban households living with housing deficit as a form of social assistance, with governments being responsible for making plans of social housing development according to the housing demand, and to subcontract the project to developers in public auction (State Council of People's Republic of China 1998). In theory, this model sought to reconcile the conflicts between "housing as commodity" and "housing as a social right" (Bao 2015).

However, since 1998 both the central government and local governments prioritized the promotion of commercial housing development. For the central government the new housing regime aimed to continue playing a role as a powerful stimulus to GDP growth. From the 1990s, local governments also became increasingly entrepreneurial to promote urban development, and had extracted enormous fiscal revenues from real estate development (Xie 2009: 115). [34] These revenues were critical resources for local governments to finance their infrastructure projects (discussed later in Chapter 4). In contrast, local authorities could not obtain the same economic benefits from developing

[34] Chapter 4 will discuss this issue in more detail.

affordable housing. In the first years following the 1998 housing reform, government overlooked issues such as housing accessibility, equality and affordability, as its housing agenda was dominated by the macroeconomic and the fiscal concerns, and as the government largely reduced its role as social provider. Policy initiatives that could have better addressed the housing affordability issue, such as housing cooperatives, self-building and affordable housing projects were marginalized.

In 2003, the central government issued the *Circular of the State Council on Promoting the Continuous and Healthy Development of the Real Estate Markets*, which finally discarded the mixed housing regime and claimed that the commercial housing should be the predominant form of housing provision. Most families are now expected to purchase or rent *commercial housing,* and document defined the real estate sector as the "backbone industry of the national economy" (State Council of the People's Republic of China 2003). Similar to 1998, the 2003 housing policy had much to do with the economic situation: the outbreak of the severe acute respiratory syndrome (SARS) epidemic in 2002 was a severe blow to the economy, especially in the service sector, and at the time economists anticipated that the SARS epidemics could cost the GDP growth 0.5-1 percentage point in 2003 (Xie 2009: 120). Meanwhile, the central government also took the conjuncture to further trigger the potential effective demand for commercial housing, by fostering rapid urban growth and urban redevelopment, and by encouraging household demand for improving housing condition etc. [Xie 2009: 125]).

Social housing (both the economical housing and public rental housing) was officially reduced to a form of assistance to the low-income sector living with housing deficit. Not surprisingly, from 2002 to 2007, the production of economical housing declined both in absolute terms and in relative terms: while 28.2% of the housing units produced in 2000 were economical housing, this number fell to only 8.1% in 2007 (Figure 2.10). By 2006, the public rental housing for the lowest income urban population had been established in 512 of the 657 cities, but only covered 547 thousand households in total or a mere 1,068 households per city (Ministry of Construction 2007). This was in sharp contrast to commercial housing development.

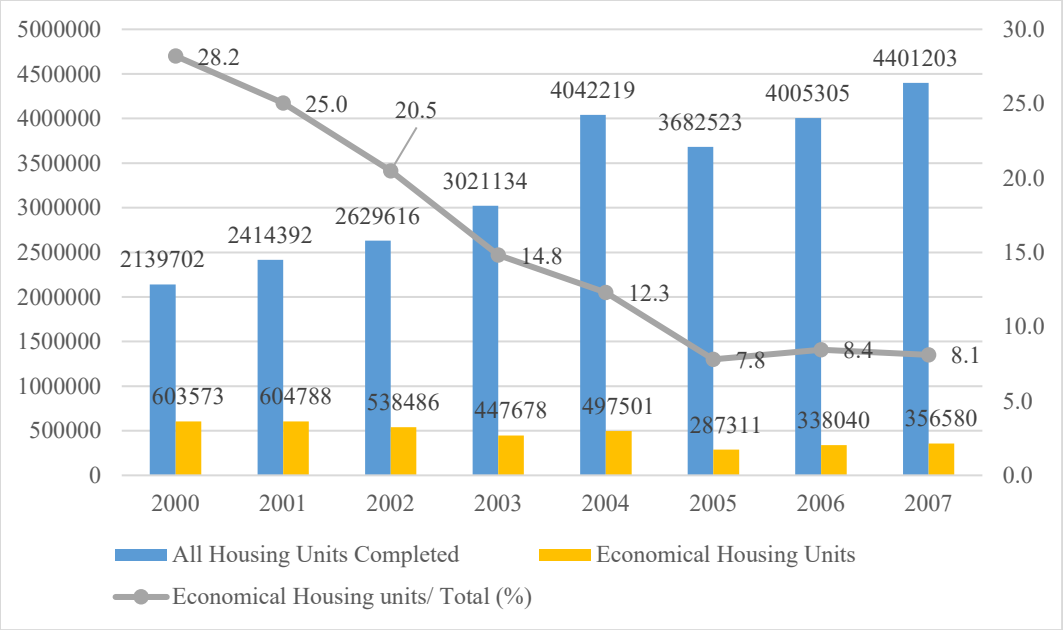

Figure 2.10: Social Housing Production in China (Economical Housing): 2000-2007

(Source: *China Statistical Yearbook*, 2011)

2.3.2. Housing Reform Embedded in Broad Social Changes

The housing reform that initiated in the 1980s in China should be viewed under the larger picture of a shift of the accumulation regime in China. In two decades the old planned economy based on command and public ownership was replaced by a mixed economy, and the market predominates as the mechanism of resource allocation. While the State holds a firm commitment to globalization and industrial upgrading, it no longer seeks to control the entire economy via an omnipresent public sector, but rather to control various strategic sectors while seeking to make and implement general social and economic development plans often around the launch of key investment projects.

The CPC has converted its source of legitimacy from leading the proletarian revolution and defending the national independence to promoting economic development, raising the living standard of the mass and nationalism (Greenhalgh and Winckler 2005,

Ma 2009, Li 2017). In this context, the GDP growth rate soon became an obsession for both the central and the local leaderships. Technocrats closely monitored the three components of the GDP (expenditure approach): consumption, investment and net exportation. Export-oriented industries became an important pillar of the economy in late 1990s, particularly after China's entry into the World Trade Organization in 2001 after which the economy became increasingly inserted into and dependent on the global market. Consumption is no longer viewed negatively as previously under the planned economy. Investment has been increasingly a useful tool for the government, and thus shows a strong countercyclical character: investment went through a big surge when net exportation significantly decelerated in 1985, 1993, 2001, 2003 and 2009, so that the annual GDP growth rate sustained at a high level (see Figure 2.11). The real estate sector, thus, consolidated its role as an economic engine.

Finally, the State also radically modified its role in social reproduction of labor. As the export-oriented industries are labor intensive, internal migration, especially rural-to-urban migration, was no longer forbidden.[35] However, local governments used the household registration regime to restrict its social provision to the registered residents of the city and the public sector reduced its long-term commitment in social provision. Economic efficiency and competitiveness are prioritized, and work units no longer act as

[35] Due to the decreasing role of work units in housing development and allocation, labor mobility tied to the public sector declined and became increasingly linked to the private sector. Iyer et al. (2009) found that housing privatization explained about 25% of the increase in labor mobility to the private sector between 1986 and 2005. Wang (2012) reached similar conclusions.

a social provider. Social provision in urban China has changed from one of being somewhat superficial and limited but universal, to one of assistance aimed at fixing the market failure.

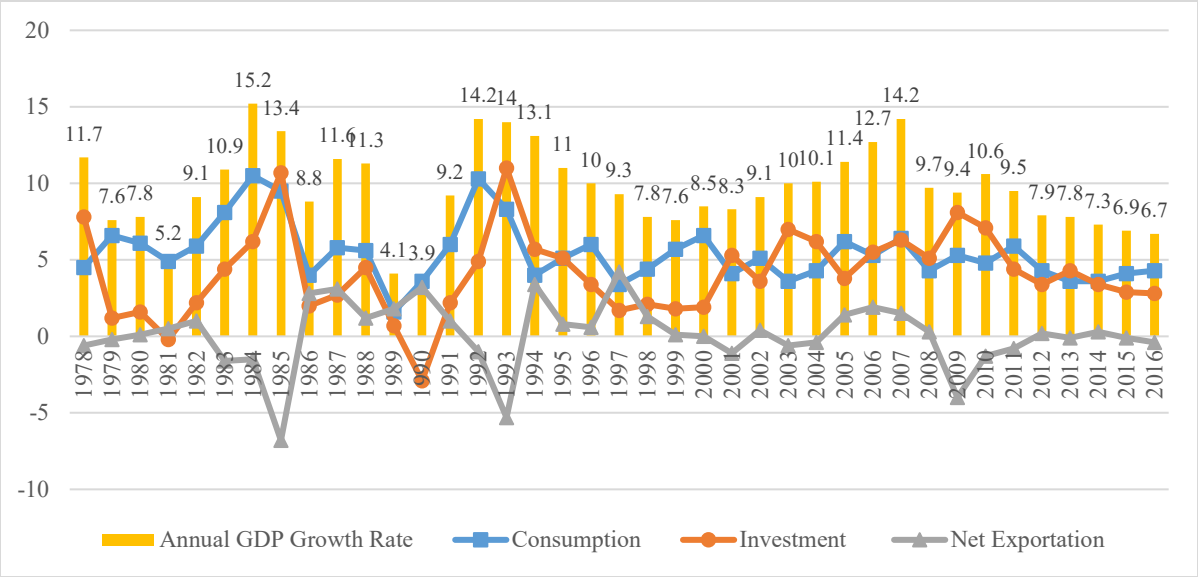

Figure 2.11: Contribution of Consumption, Investment and Net Exportation to GDP Growth (Percentage Points)

(Source: *China Statistical Yearbook*, 2008, 2017)

2.3.3. Consequences of the Housing Reform

The housing reform since 1980 has generated several important consequences. It largely frees the State and work units from the financial burden of housing provision. The private sector has actively participated in the real estate economy. The number of real estate enterprises increased from 24,378 in 1998 (China Real Estate Statistical Yearbook 2017, Table 19-2) to 94,948 in 2016. Among them, 3,087 were joint-stock companies and 40,482 were private companies of various kinds (calculated by the author, according to China Real

Estate Statistical Yearbook 2017, Table 1-2).[36] It is important to note that the participation of foreign capital in China's real estate sector was marginalized in recent years as the government implemented tight restriction on foreign capital from entering in Chinese real estate market in 2006, not least since the domestic capital market was already seen as overheated (Junhe Law Firm 2016).

Housing supply increased dramatically, and general housing conditions were significantly improved (Figure 2.10). Per capita floor space increased from 22.36 sq. m. in 2000 to 30.33 sq. m. in 2010 (not including vacant dwellings, see Liu et al. 2013). The meaning of housing was transformed from a public good to that of a commodity and the regime of private property rights was established and consolidated. In 2010, 78.95% of the urban housing in the country was classified as private (higher than countries like the US, Germany or France [ibid]). Housing became the most important asset for most urban Chinese households and the real estate sector became one of the major growth poles in the national economy, rising from 2.1% of GDP in 1980 to almost 6.5% by 2015 (Figure 2.12).

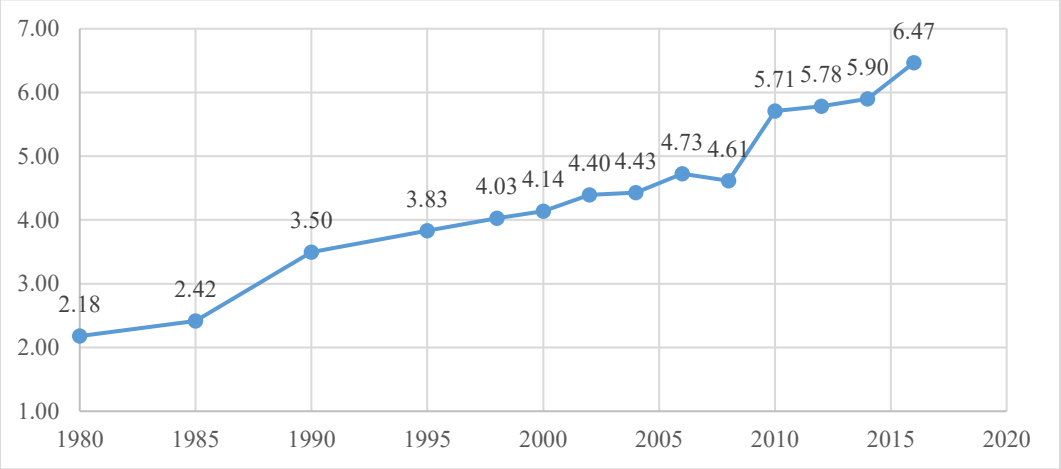

Figure 2.12: Contribution of the Real Estate Sector to GDP

(Source: *China Statistical Yearbook*, 2017)

[36] Real estate companies in which the private party holds the relative majority of the capital stock contributed 60% of the investment in the real estate sector in 2016 (calculated by the author, China Real Estate Statistical Yearbook 2017, Table 2-9).

However, the challenges remain enormous particularly given that the housing reform in China does not benefit all sectors. Using the 2000 census data, Logan et al. (2009) found that the biggest winners in the housing reform were those who were favored in the previous system, based on such factors as residence status, education and occupation. Wang and Murie (2000) reached similar conclusions that leaders, managers and professionals in the public sector benefited the most, while industrial workers saw less gains.

Scholars and real estate professionals in general agree that housing affordability in China has deteriorated since the 1998 housing reform. However there is no consensus about whether this represents a real estate bubble. Empirical research has attributed the deterioration of housing affordability to factors such as economic fundamentals, demographic change (e.g. urbanization), structure of the housing regime especially land costs etc., all are seen as partly responsible for the overvaluation of housing. Moreover, it is important to take into consideration the significant variation among cities in housing affordability: while in first and second tier cities an "affordability crisis" is occurring, in many small and medium cities the housing market is characterized as over-supply.

Housing options for low-income urban population mainly consist of the following: first, those who are "registered" in the city may live in a public rental dwelling since the pre-reform era (such dwellings may have been privatized or not), and may also qualify to apply for housing assistance programs offered by local government, such as social housing. The second option is cheap private rental housing. For example, as cities expand fast, some former villages are now encircled in the built-up area of the city, and villagers have subdivided their dwellings as cheap rental housing (Bach 2010; Hao et al. 2010; Liu et al. 2011). Third, factories and construction sites often offer temporary accommodation such as dormitories.[37] It is important to note that, in contrast to most Latin American countries,

[37] Migrant workers who are not "registered" in the city usually do not qualify for housing assistance and in general they live in precarious housing condition and lack tenure security. According to a national survey on migrant workers in 2016, 135.9 million people from rural areas migrated to and

self-built housing is not a major housing type in most Chinese cities. The government in general does not view informal or self-built housing as a long-term housing solution in urban areas; where it exists it has been increasingly the target for resident relocation and redevelopment. Marginalized groups, especially rural migrant workers, are structurally and institutionally excluded from the housing market and housing subsidies. This situation is embedded in the exclusionary economic and urbanization model of the country (Chen 2009, Li 2002).[38]

2.4. Current Housing Policies

Currently, the government actively intervenes in the housing sphere, along three main policy lines: i) intervention in the commercial housing market; ii) housing provident fund, and iii) through social housing development. This section will outline these three policy components.

2.4.1. Government Intervention in Commercial Housing Market

Concerning the *commercial housing market*, the government does not want to see dramatic fluctuations of the real estate sector in terms of investment and housing price. The macroeconomic performance is at the core of the government housing policy agenda: a sudden fall in the investment in the real estate sector can decelerate economic growth and cause a decline in government revenues. On the other hand, the government is clearly aware that the speculation in the real estate market and deteriorating housing affordability can

were currently working in the city. Among them, 61% lived in a private rental housing, 13.4% lived in the accommodation provided by employer, and 16.5% purchased their own dwelling. Less than 3% of them had received access to social housing (economic housing or public rental housing) (NBSC 2016).

[38] Chapter 4 will discuss the low-income population's housing access and exclusion in detail, through the case study of Nanjing.

lead to financial and macroeconomic risks[39] and social discontent. Tan and Lou (2012) documented how housing policy is made and implemented in China in the 2000s: often, several ministries[40] jointly issue general policy guidelines on behalf of the central government. Subnational governments are responsible for making and implementing concrete measures accordingly.

The following five categories of measures are often applied to regulate and influence the commercial housing market (also see E-House China 2012, Ren 2017):

- *Mortgage and loan policies*: government may ask banks and housing provident funds to adjust interest rates and down-payment requirements for home mortgages. To discourage speculative home buying, mortgage terms are often harsher to non-first-time buyers.
- *Fiscal measures*: different from many other countries, China has not established property tax for private housing (though pilot projects have been launched in cities like Chongqing and Shanghai [Xinhuanet 2015]). However, the government can adjust tax and fees on housing transactions. Government can also use monetary and bank policies will to influence the housing market, though often indirectly.
- *Land policy*: since all urban land in China is public, the government monopolizes the land supply for urban and housing development. Land policy is a key tool with which government can influence housing market. Government not only decides the amount of land for housing development each year, but also the relative weight of each housing category. For example, in 2006, to promote the development of small and medium sized housing, despite the discontent among real estate developers, the central government established a "90/70" policy; that is, each year, 70% of the land for construction should be destined to housing units under 90 sq. m. (China News Service 2015).

[39] Among scholars and policy makers in China, there is a concern that the Chinese real estate sector is replicating what occurred in during the Japanese asset price bubble in late 1980s and early 1990s (Shao and Wang 2003; Xie and Lai 2014).

[40] These often include the Ministry of Housing Construction and Rural-Urban development, Ministry of Land and Resources and Ministry of Finance.

- *Administrative measures*: when housing price rises too fast, some local governments impose restrictions on who can buy housing or how many properties that an individual can buy. For example, the municipal government of Beijing ordered that unmarried individuals with household registration of the city would be forbidden from buying a second home, and that bank loans should be denied for any purchase of a third home (General Office of the Municipal People's Government of Beijing 2013).
- *Social housing*: social housing development is supposed to influence the dynamics of commercial housing development as well. Social housing not only has an impact on the supply and demand in the commercial housing market, but also intends to fix the market failure.

Some of the policy tools target the demand side (such as loan and mortgage policy); while others target the supply side (particularly land policy). These measures often address short and medium term policy goals (such as the growth rate of the investment in the real estate sector or of the housing price). Whether they are implemented or not, or how rigorously they are implemented, are largely at the government's discretion. For example, similar to what happened in the 1997 financial crisis, in response to the 2008 global economic crisis the government resorted to the real estate sector to increase investment and stimulate the economy. Restrictions on home mortgages and bank loans were largely loosened to incentivize the effective housing demand (Yuan 2009, E-House 2012).

When it comes to improving the housing affordability, the toolkit of housing policy has not been effective. Not only a lot of the policies contain loopholes and are thus not easily enforceable; but also, housing affordability has to do with a set of structural factors, such as the monetary and the land policy, pace of urbanization etc. Ultimately, the government holds an ambiguous and contradictory attitude towards housing price: it has made some efforts to improve the housing affordability, but it also relies on the real estate to achieve its goals in fiscal revenues and economic growth.

2.4.2. Housing Provident Fund

The housing provident fund (HPF) program which forms the second major policy line examined here was first experimented in Shanghai in 1991 and then promoted to all cities from 1994. Under this regime both the employee and his/her employer are required to contribute 5-12% of the employee's monthly salary to the employee's HPF account. The HPF programs are organized locally and cities run their own HPF programs. Employees can withdraw the deposit from their accounts or apply for low-interest loans to buy, repair or rent housing. They are also allowed to withdraw their HPF savings when they retire (Yeung and Howes 2006). By 2016, there were 342 HPF programs nationwide, covering about 131 million employees. Besides financing housing buying, in recent years, local governments also use the fund to finance social housing development (Ministry of Housing and Urban-Rural Development et al. 2017).

China's HPFs were originally established to facilitate the urban population to get access to housing finance, and thus, to stimulate housing consumption and foment the private housing market (Gu et al. 2015). By 2016, the HPF programs had issued 28.27 million loans (Ministry of Housing and Rural Development et al. 2017). However, they are also widely criticized for low efficiency of governmental use of the funding, and as well as its negative impacts on housing inequality (Chen 2010). So far, only 19% of the private sector companies are affiliated to the housing provident fund (MOHURD 2013). In particular, empirical research has shown that the HPF programs have not improved housing affordability. The amount of an HPF loan that a beneficiary can obtain is determined by factors such as monthly income, monthly contribution to the HPF, and remaining labor years before retiring. As a result, high income populations can obtain larger loan amounts and thus, receive more subsidies in interest payment. In fact, rather than expanding housing finance to the low-income groups, the HPF program subsidized those who already get access to commercial housing, which further raised the housing price (Gu et al. 2015). Not surprisingly, in 2016, 64% of loans that year were assigned to beneficiaries whose income

was above the local average, and 69% of the loans were to finance dwellings larger than 90 sq. m. (Ministry of Housing and Rural Development et al. 2017).

2.4.3. Social Housing Development

The 1998 housing reform established a *social housing system*. Chapter 4 will discuss in detail the development of the social housing regime in China, through a specific case study – that of Nanjing. In this section, I will present some major features of this housing regime, particularly its development process, financing, and some recent policy innovations.

The government plays a major role in social housing development, especially in its planning, financing, land allocation and the assignation of social housing units. That said, governments do not directly construct social housing projects, though. The construction is delegated to developers, mainly through three approaches (also see Zhang 2012):

- *Construction management mode*: local government is in charge of obtaining finance for social housing project, and subcontract the project to developer. The government owns the completed social housing units, and the developer will earn a small profit (the profit margin is set to a percentage of the construction cost).
- *Tie-in construction mode*: local government establishes that developers should construct a certain amount of social housing units (for example, 10% of the floor area) in their commercial housing projects. This is usually set as a precondition when the government holds public auction of land use rights. In this mode, it is the developer, not the government, who has to finance social housing construction, though government still offers fiscal and other types of preferential policy.
- *Build-transfer (BT) mode*: government holds public auctions to contract the social housing project to developers. The developer will need to finance the project, although the government provides land and does not charge for land use rights, and guarantees to buy the completed housing units at a controlled price.

For developers, it is generally agreed that social housing development is much less profitable than commercial housing. However, there will still be some indirect benefits for developers, particularly by actively engaging in social housing construction, whereby the developer can reinforce its link to local government, which will facilitate its future commercial housing development in the jurisdiction.

Social housing development in China can be divided into two phases. In the first period (1998-2006), although the 1998 housing reform established that social housing would target the majority of the urban population (except the high-income group), in practice, the government prioritized commercial housing development. However as noted earlier, by 2003 when the government claimed that commercial housing should be the major component of the housing system, social housing had been marginalized in the government agenda. In 2006, 512 out all 657 cities in the country have established the public rental housing, but only covered 547,000 households (Wen 2011).

In the second period (2007-present), the central government has made considerable efforts to seriously promote social housing. This was partly driven by the social discontent caused by the deteriorating housing affordability. More importantly, social housing was part of the stimulus plan in response to the 2008 global financial crisis. Later, in its Twelfth Five-Year Plan (2011-2015), the central government launched an ambitious social housing development campaign, and proposed to build 36 million social housing units nationwide– a goal that was met according to official statistics.

In the social housing regime, two important changes since 2007 deserve particular attention. First, urban redevelopment usually in downtown areas has been closely related to social housing development, which will be discussed in more detail in the case study of Nanjing. Second, driven by a critical reflection on the housing policy that has over-emphasized homeownership, the government decided to diversify the typology of social housing, and particularly to increase the weight of public rental housing in the social housing regime. Until recently, public rental housing was supposed to target the lowest income groups. In recent years, public rental housing no longer exclusively targets the

lowest income strata, but has extended to groups such as recent college graduates, young professionals and lower-middle income families who do not have the resource to purchase a home, as well as migrant workers who are not "registered resident" of the city. However, most of these policy initiatives are still in the initial phase of implementation.

Compared to the affordable housing development in the 1990s, recent social housing development has made some advance in terms of diversifying sources of investment. Though the government still relies heavily on its fiscal funding and bank loans to finance social housing projects, it has also experimented and promoted other funding sources, such as social security funds, housing provident fund, municipal bonds, net-profit from the leases of land use rights, public-private partnership (PPP), and financial tools (such as Real Estate Investment Trusts [REITs] and securitization of public rental housing). Even so, these efforts have only produced limited success.

2.5. Conclusions

This chapter has reviewed the evolution of China's housing development and housing policy. It is clear that the housing policy is closely related to the government's role in the regime of accumulation and social reproduction of labor. Under the planned economy (1950s-late 1970s), public rental housing predominated in the urban housing regime. This was a result of the regime of accumulation that prioritized the heavy industry and used command and economic plans as mechanism of resource allocation, as well as the role of the public sector as the most important social provider. The housing reform through the 1980s and 1990s was originally a response to the severe housing crisis of the time, in which the government simply did not have resource to meet the housing demand. Yet, the market orientation of the housing reform was consolidated in the 1990s and housing reform was embedded in the broad social, economic and political transformation of the country. It became an indispensable component for (1) the transformation of the role of the public sector in social reproduction of labor, (2) the transformation of the

urbanization model of the country to a "growth machine", and (3) the establishment of GDP growth as the development goal of the Chinese government.

By 2003, when the government finally announced that commercial housing was the main component of the housing regime, the commercial housing market had effectively ruled out several alternatives, such as housing cooperatives, self-building, work units acting as housing provider, social housing, etc. The market and home ownership established their hegemony in housing provision as the government successfully turned the real estate sector into a machine of economic growth and finance. Housing affordability and access soon deteriorated, and has caused significant social discontent. It was not until 2007 when the government re-emphasized the importance of social housing and the recent social housing boom, together with other policy tools such as direct intervention in the commercial housing market and housing provident funds, suggests that the government has upgraded the real estate sector into what I call a "growth machine 2.0". In this new housing regime, the government use social housing to stimulate the economy, to fix the market failure and appease social discontent, to influence the demand side of the commercial housing market.

As in the case of 1998 (when work units as housing provider was ended), 2003 (which confirmed the domination of commercial housing), and 2008 (with the campaign of social housing development), the housing policy agenda in the past two decades has been dominated by macroeconomic concerns as the central government seeks to meet its macroeconomic goals by triggering or suppressing housing demand and investment. Social problems associated with housing, such as housing inequality and access, concentration of poverty etc., receded to a secondary place. To make the housing regime more inclusive will require structural changes such as reducing the dependency on real estate economy.

Chapter 3: Housing Policy in Mexico: 1950-2015

This chapter has two purposes: first, I will review the evolution of housing policy in Mexico between 1950 and 2015, and highlight the national-level factors that triggered the social housing boom in the 2000s and 2010s. Second, I will compare the housing policy in China and in Mexico (1950-2015), and discuss how the historical development of housing policy informs us about the variation in policy options at critical junctures. [41]

Mexico's Housing policy in the second half of the twentieth century was the product of the post-Revolutionary state formation project (political corporatism) and the industrialization model (import-substitution industrialization, ISI). As the ISI model became exhausted in late 1970s, the economy fell into a severe economic crisis in 1982. Mexico's housing policy also went through a paradigmatic shift, as part of the reorganization of the economic, social and political pact. The new housing policy centers on facilitating the participation of private capital and the expansion of primary and secondary mortgage markets, through deregulation and institutional development. The mortgage boom in the 1990s and 2000s triggered a social housing boom that mainly targeted the low-income working class.

China and Mexico initiated their State-led industrialization roughly in the mid-20th century. In the eve of the State-led industrialization, Chinese cities and Mexican cities shared a similar urban housing regime in terms of residential tenures. Housing policies during the state-led industrialization reflected the calculation of cheapening the cost of social reproduction of labor, as well as to maintain social control over the masses. However, the different approaches to industrialization and the different state formation processes led to different housing policy approaches in the two countries. In Mexico, self-help informal settlements soon became the main form of housing access for the low-income urban

[41] For major political and economic events in Mexico since the 20th century, please see Table 3.1. For a brief timeline of the urban and housing development in Mexico between 1950s and 2010s, see Table 3.2.

working class, while a small social housing stock benefited workers in several key economic sectors. In China, the socialist public rental housing predominated in the urban housing stock.

Both China and Mexico launched market-oriented housing reform in the 1980s and 1990s. In the 2000s and 2010s, both reforms led to a significant expansion of social housing that targeted the urban low-income housing. However, social housing development took a market-centered approach in Mexico, and a government-centered approach in China. This chapter argues that the variation in policy options has much to do with the variation in the pre-reform housing regime.

Table 3.1. Major Political and Economic Events in Mexico since the 20th Century	
Year	Event
1910-1920	Mexican Revolution
1929	The founding of the National Revolutionary Party (later renamed as the Institutional Revolutionary Party, PRI)
1934-1940	The Lázaro Cárdenas Administration: aggressive agrarian reform, nationalization of the petroleum industry
1942	Mexico joined the Allied Forces in the WWII.
1940s-1980s	Import Substitution Industrialization (ISI): channeling investment to the manufacturing sector by exporting raw materials and agricultural products, aimed at eventually establishing an autonomous and complete industrial system. The ISI was launched with the active state leadership and participation and the domestic industry highly protected. Annual GDP growth rate between 1960 and 1980: 7.18% (constant 2010 US$).
1968	Tlatelolco Massacre
1982	The Mexican 1982 Debt Crisis
1980s-	Neoliberal transformation, characterized as deregulation, insertion into the global market, privatization, stimulating private investment. Annual GDP growth rate between 1980 and 2015: 2.39% (constant 2010 US$).
1986	The admission of Mexico to the General Agreement on Tariffs and Trade (GATT, later reorganized to become the WTO)
1988	The creation of the conditional cash transfer program “Solidarity”
1994	The implementation of NAFTA
	The Zapatista Uprising

	The Mexican Peso Crisis
2000	End of PRI's 71-year uninterrupted rule, with the National Action Party (PAN) winning the 2000 Presidential Election.
2008	The Global Financial Crisis

(Source: the author's own elaboration; GDP data: World Bank Open Data)

Table 3.2: Evolution of Urban and Housing Policy in Mexico: 1950s-2010s	
Year	Event
1940s-1980s	A corporatist approach to housing development: selectively tolerating and supporting self-built, informal settlements; rent control in certain areas of the city; and supporting formal housing development for a small part of the formal working class. Large scale rural-to-urban migration and rapid urbanization from 1940s to 1970s.
1942- mid 1980s	Rent control in certain areas in Mexico City
1954	Founding of INVI, the country's first agency specialized in targeting housing deficit.
1963	The creation of the Housing Finance Program (PFV), which channeled resources from commercial banks and international agency to social housing development.
1971	The creation of CORETT, agency at the federal level that regularizes and formalizes informal settlements.
1972	The creation of major agencies of solidarity funds, including INFONAVIT, FOVISSSTE and FOVIMI
1976	Promulgation of the *General Law of Human Settlements*.
1981	The creation of FOHNAPO, agency specialized in supporting housing development in the informal sector
1983	Access to decent housing became a constitutional right.
1990s-	A neoliberal approach to housing development: encouraging private investment in housing development, deregulating urban and housing development, eliminating anti-market practices in housing development, creating new institutional frameworks and financial infrastructures for housing investment; expansion of housing finance to low-income urban population. Rural-to-urban migration declined significantly since 1980s; consolidation of metropolitan areas.
1992	Reform of INFONAVIT, from an agency that led housing production to one specialized in housing finance.
	Modification of the Article 27 of the Constitution, which lift the ban on the same of the ejidal land.

2001	The creation of CONAFOVI (later renamed CONAVI) to accommodate diverse housing agencies and programs.
	The creation of the Sociedad Hipotecaria Federal (SHF)

(Source: the author's own elaboration)

3.1. 1950-1972: Housing Policy as a Tool of Political Corporatism

This section discusses the initial period of housing policy (1950-1972) for the urban low-income working class in Mexico, under the model of Import Substitution Industrialization. Although the government established policy regarding rental housing and affordable housing, self-help, informal housing was the predominant form of low-income housing access to accommodate the fast-growing urban population. I will document how political corporatism is the key character of Mexico's housing policy in this period, and what legacy it left for later years.

During President Ávila Camacho's administration (1940-1946),[42] Mexico initiated a wave of rapid industrialization and economic growth that lasted almost four decades. Like elsewhere in Latin America, a development strategy called "import substitution industrialization" (ISI) was implemented in Mexico. That is, in order to modernize and break out the world division of labor, countries that traditionally were specialized in exporting primary products and raw materials channeled investments towards manufacturing industry, in order to replace the previously imported manufactured goods with domestically produced ones, and to satisfy the demand of the domestic market (Baer 1972). The ISI usually sought to follow an upgrading path from non-durable consumer goods to durable consumer goods, and finally to intermediary and capital goods (Aspra 1977). Annual growth rate of real GDP in Mexico was 5.7% between 1950 and 1960 (6.1%

[42] Mexico's president is limited to a six-year single term, and no re-election is allowed.

for the manufacturing sector), and 7.1% between 1960 and 1970 (9.1% for the manufacturing sector, see Aspra 1977: Table 1).[43]

The industrialization under the ISI led to a rapid rural-urban migration in the 1940s. Since then, the country witnessed an unprecedented wave of rural-to-urban migration and urbanization. Mexico's urban population increased from 42.7% of the total population in 1950 to 59% in 1970 (UNPD 2014). Meanwhile, Mexico City consolidated its hegemony in the country's urban system, and had concentrated a great proportion of the country's industrial, financial and educational resources. It was estimated that in 1970, Mexico concentrated 82% of the country's wholesale business, 54% of the country's telephones and 43% of the investment in manufacturing (Ramírez Vázquez 1978). All this, of course, caused an enormous challenge to urban housing, particularly for the low-income population for the country's major cities. Between 1950 and 1972, Mexico gradually developed its housing policy, which was based on three main components: policy of rental housing, support to self-built settlements and government-supported housing production and financing for the working class.

3.1.1. Selective Rent Control

The Post-Revolutionary government took pro-tenant policy as a pragmatic response to the increasing urban housing deficit and the deterioration of the housing affordability, [44]

[43] While in 1950, the primary sector, the manufacturing industry and the service sector respectively produced 19%, 17% and 55% of the GDP, in 1982, these numbers changed to 9%, 25% and 57% (EHM 2014, Table 8.2, calculated by the author).

[44] Prior to the 1940s, population growth in large urban areas was accommodated mainly through the intensified use of the existing urban housing structure, that is, private rental housing (Perló Cohen 1979). For example, in tandem with increasing economic and spatial inequalities, the elites left their properties in the historical center of the city for the new, suburban neighborhoods. Those old elite buildings that they left behind were subdivided into rental units and converted into vecindades. These vecindades were often characterized by shared service, precarious conditions, deterioration and insecurity, but they were one of the only affordable housing options for the low-income working class (Eckstein 1990, Quiroz Mendoza 2013).

as well as to make alliance with the tenant sector. The most famous and influential case of pro-tenant policy was the rent freeze implemented in Mexico City from 1942 when the country joined in the Allied Forces in the WWII. This policy was in force until mid-1980s (Gilbert and Varley 1991).

That said, the federal government had no intention to eliminate private property. The implementation of the rent control in large cities was selective by only targeting certain types of rental dwellings in certain areas, thus achieving to divide, appease and co-opt both the landlord sector and the tenant sector (Perló Cohen 1979). By 1961, the rent freeze in Mexico City affected 13% of all homes in Mexico, and by 1976, this proportion fell to 1% (Gilbert and Varley 1991: 55). The rent control policy was criticized for creating a juridical environment that discouraged the private investment in rental housing, which also led to further deterioration of the existing housing stock and the underdevelopment of rental housing in Mexico (CIDAC 1990, Quiroz Mendoza 2013).

However, it is important to note that, although homeownership rapidly increased with the proliferation of self-built settlements, rental housing in Mexico continued to be an important form of housing access. In 1950, among Mexican cities with population over 100,000, only Culiacán, Matamoros and Merida had a majority of owner-occupied homes; in Mexico City, only 25% of the dwellings were occupied by owners (Gilbert and Varley 1991: 29, 30). Even by 1970, large cities such as Mexico City, Guadalajara, Monterrey, Puebla and Veracruz were still predominantly rental cities (Gilbert and Varley 1991: Table 3.1).

3.1.2. Government-Supported Housing Production

After WWII, numerous agencies of the public sector were established to support formal housing development for the working class, namely the National Housing Institute

(INVI) and the Housing Finance Program (PFV).[45] The INVI was created in 1954 to become the first public agency specialized in housing policy for low-income population and to coordinate the housing actions of the diverse agencies of the time (ASF 2012: 9), although it was not prominent compared to other agencies in terms of the number of credits issued. Between 1954 and 1970, the INVI issued about 14,400 credits, or about 8% of the total number of credits issued by the public sector (EHM 2014, Table 2.4).

The PFV was created in 1963 by Mexico's Secretariat of Finance and Public Credit (SHCP) and the Bank of Mexico. It also received a seed money of 30 million US dollars from international agencies including the Alliance for Progress, The United States Agency for International Development and Inter-American Development Bank (Connolly 1997). This financial scheme aimed to channel resources from private commercial banks to affordable housing (social-interest housing) development. The PFV defined social-interest housing based on its price (FOVI, unspecified year). [46] Under PFV, the *Fund for Bank Operation and Discount* (FOVI) was created. The program offered individual home mortgages and bridge loans to developers, as well as technical and financial support to social housing development. Compared to previous housing programs, FOVI enjoyed relatively wide and stable funding resources (CIDAC 1990: 37). In the 1960s and 1970s, FOVI contributed 7.8% of the new housing construction (Patiño 2006: 239, 240). That said, although FOVI made serious attempts to promote affordable housing development,

[45] The public agency that supported urban housing development was established in 1925, namely the Programa de Crédito para Empleados Federales of the Dirección General de Pensiones Civiles y de Retiro, which offered its affiliates (mainly public functionaries) loans for housing construction and acquisition (Ley General de Pensiones Civiles de Retiro, Article 58-63). It was the only public agency that financed housing until 1947, and had issued 9,600 housing loans by then (Perló Cohen 1979). Later, other agencies participated in supporting housing production, including social security agencies (IMSS, ISSSTE and military pensions), development banks (such as BANOBRAS), state enterprises (such as Ferrocarriles Nacionales, PEMEX, CFE) and local government (Department of the Federal District, DDF).

[46] For example, a social-interest housing project in Zone 1 (including 21 of the 31 states) should include 50% of dwellings priced under 118 thousand Pesos, 25% priced between 118 thousand and 135 thousand Pesos, and 25% priced between 135 thousand and 161 thousand Pesos. Beneficiaries' monthly income should not exceed 8,400 Pesos (FOVI [between 1976 and 1982]: Appendix 4).

Connolly (1997: 28) estimated that in general the beneficiaries were from the middle-income group.

In total, between 1947 and 1964, 121,200 credits were issued nationwide. Social security agencies (IMSS, ISSSTE and military pensions) alone issued 57,002, followed by BANOBRAS and PEMEX. The period between 1965 and 1970 witnessed a rapid increase in the number of the credits (119,179 credits in 5 years, almost as many as the previous 18 years). BANOBRAS and FOVI combined to issue 74.4% of all the credits by the public sector, whereas the social security agencies almost entirely withdrew from housing finance (EHM 2014, Table 2.4).

Some characteristics of these early policy attempts left deep influence on Mexico's housing development. In terms of forms of support, some public rental housing projects were built. For example, the IMSS (Mexican Institute of Social Security) once constructed public rental housing for its affiliates and employees (ASF 2012: 8, 9). However, their existence was insignificant and ephemeral, mainly due to the impossibility of recovering investment. Despite the variations in institutional frameworks and technical details among the housing agencies, credit and mortgage became the more preferred and common form of government support to social housing development. Although the federal government also invested in housing agencies, these agencies obtained resources mainly through channeling resources of various origins (such as social security, savings in commercial banks, external supports etc.) to the housing sector. The fortune and impacts of these agencies largely depends on the abundance and sustainability of the resources that can be channeled. The government played a role of the mediator of different class/ sector interests.

Government support to the formal housing production was under strong influence of political corporatism. It never sought to target the urban population based on some universal criteria such as income or housing need. Rather, it was organized in a highly sectorial and fragmented manner, and gave priority to sectors that were organized and were critical and loyal to the official party (including the bureaucrats, the army, and workers in key industries such as railway, electricity and petroleum). This was supposed to maintain

the political stability and the hegemony of the official party, as well as to create a favorable condition for capitalist accumulation and industrialization. Later, the creation of the PFV was supposed to extend the government support in housing to the urban middle class (CIDAC 1990: 37). That said, the housing demand of the majority of the urban proletariat had to be attended by policy of informal housing.

3.1.3. Policy Regarding Self-Built Settlements[47]

During the Ávila Camacho Administration (1940-1946), informal, self-built settlements became an increasingly important housing option for low-income urban dwellers (Perló Cohen 1979). When urbanization accelerated in 1940s, although the political stability and economic growth opened up opportunities for real estate investment (Gilbert and Varley 1991), the construction industry in the country was not apt for an industrialized production for the urban mass due to the dependency on the importation of construction materials, as well as the lack of mechanisms to finance housing projects for developers (Jaramillo and Schteingart 1983).

In the metropolitan area of Mexico City, the proportion of the population that lived in the self-built settlements increased from 2.3% in 1947, to 32% in 1952, and 50% in 1970 (Coulomb 1992: 92). Villar Calvo (2007: 574) estimated that the "formal sector" (public and private sectors combined) produced around 35% of the dwellings in Mexico between 1951 and 1970, and the informal sector produced 65%.

It is the *informality* in the land transactions and in the process of housing production that made self-help housing low-cost. Informal settlements were often established on public or communal land on the periphery of the cities, mainly through illicit land

[47] Given that the focus of this chapter is policy regarding formal housing development for low-income urban working class, the discussion on informal housing in this section is limited to its political economy. For readers who are interested in how informal settlements developed in Mexico and specific government policies for this housing sector, please refer to Appendix 1.

subdivision or, to less extent, through land invasion (Gilbert and Ward 1985). Such land was either unattractive to commercial developers or of little agricultural value (Coulomb 1992: 91; Jaramillo and Schteingart 1983). The "informality" consists of the fact that these subdivisions often lacked proper titles, basic services and failed to meet the planning norms (Gilbert and Ward 1985: 86). That said, how the urban low-income population obtained land for self-building varied significantly among cities and may change over time, depending on factors such as land aptitude, land market dynamics and local state interventions (Gilbert and Ward 1985; Gilbert and Varley 1991).

The rapid expansion of self-built, informal settlements in Mexico resulted from a combination of political and economic factors. Amid the crisis of rental housing and the almost-non-existence of social housing for the low-income working class, the government considered self-building as a pragmatic policy option to tackle the urban housing deficit. Indeed, the government was actively involved in monitoring and allocating the land (Gilbert and Ward 1981). Politicians saw informal settlements as a venue for clientelistic politics and use it to enforce political control over the mass. Demands such as legal recognition of the informal settlements and service delivery were often channeled and mediated by local political brokers, often in exchange for political loyalty (CIDAC 1990: 38, 39, Eckstein 1990, Gilbert and Ward 1985, Perló Cohen 1979). The official party sought to maintain the settlers' associations under its control through political patronage and denied some radical demands that could threaten the private property of the dominant class (Perló Cohen 1979). Although overall, political control over informal settlements was fairly effective until late 1960s (CIDAC 1990: 39), it did not offer a structural solution to address the deficit in infrastructure and service. Actually, confrontations occasionally occurred between the government and some settlers' associations that took an independent position around issues such as evictions and regularization (Perló Cohen 1979).

In sum, the government's housing development agenda prior to 1972 was dominated by two major concerns: how to create a favorable condition for capital

accumulation under the ISI model, and how to maintain the political hegemony of the official party, the PRI. Since the beginning of State-led ISI, Mexico's housing policy had heavily relied on self-help and informality to accommodate rapid growth of urban population. From a structuralist perspective, self-help housing (and the informal sector in general) reflects a symbiotic connection between the expansion of the modern capitalist sector and the rapid growth of urban population (Portes and Shauffler 1993, Jaramillo and Schteingart 1983). That is, the informal sector cheapens the expansion of the modern capitalist sector by providing low-cost goods and services for the formal sector. In this way, the housing demand of the low-income urban population was reduced to legal recognition of the land lot, as well as access to services (CIDAC 1990: 38), and the bourgeoisie takes advantage and suppress demand for higher wages (Burgess 1982, Ward 2012).

Housing policy was also a component of the Post-Revolutionary state formation project in Mexico. It represents the State's efforts in organizing and controlling the mass in a sectorial and clientelist fashion, and often emphasized the political loyalty of the beneficiaries to the official party. In the next two decades (1970s and 1980s), the corporatist paradigm of housing policy would be further consolidated and then go through a deep crisis, as the next section will discuss.

3.2. 1972-1992: The Consolidation and Crisis of Political Corporatism

This section discusses the housing policy development in Mexico between 1972 and 1992, in which the State intervention in housing provision for the formal sector workers became more direct and active. I will highlight the roles of INFONAVIT, the major agency that led the construction of social housing for formal sector workers. Despite their limited scale, the INFONAVIT and other agencies of similar kind marked the consolidation and institutionalization of the corporatist approach to social development in Mexico under PRI's rule. Yet, this approach entered into crisis during the country's economic crisis in the 1980s.

3.2.1. Housing Policy under "Shared Development" in the 1970s: The Creation of INFONAVIT

Since late sixties, the inherent contradictions of the ISI model deepened. Mexico kept advancing in industrialization and maintained a rapid economic growth in the 1970s, though inflation became a serious challenge (Figure 3.1). Meanwhile, Mexico's rapid urbanization lasted until early 1980s. The proportion of Mexico's total population classified as urban increased from 59% in 1970 to 66.3% in 1980, and urban population grew at an annual rate of 3.94%, higher than the annual growth rate of the total population (2.88% [UNPD 2014, calculated by the author]). Social indicators such as income distribution, life expectancy and infant mortality rates continued improving between 1970 and 1982 (Rodríguez Kuri and González Mello 2015). That said, Mexico was far from achieving an autonomous industrial system as the ISI model originally envisioned. Similar to what happened in many other countries in the region, as the ISI advanced from non-durable consumer goods to intermediary and capital goods, the industrialization also became increasingly expensive, and the Mexican economy became increasingly dependent on foreign capital and technology (Tutino 2011). Moreover, the global economic context of the 1970s was not favorable. External shocks such as the 1973 Oil Crisis negatively impacted the performance of the Mexican economy. In 1976, before the end of the Echeverría Administration, the Mexican Peso had its first devaluation in 22 years, from 12.5 Pesos to 1 US Dollar to 24.5 Pesos to 1 US Dollar.

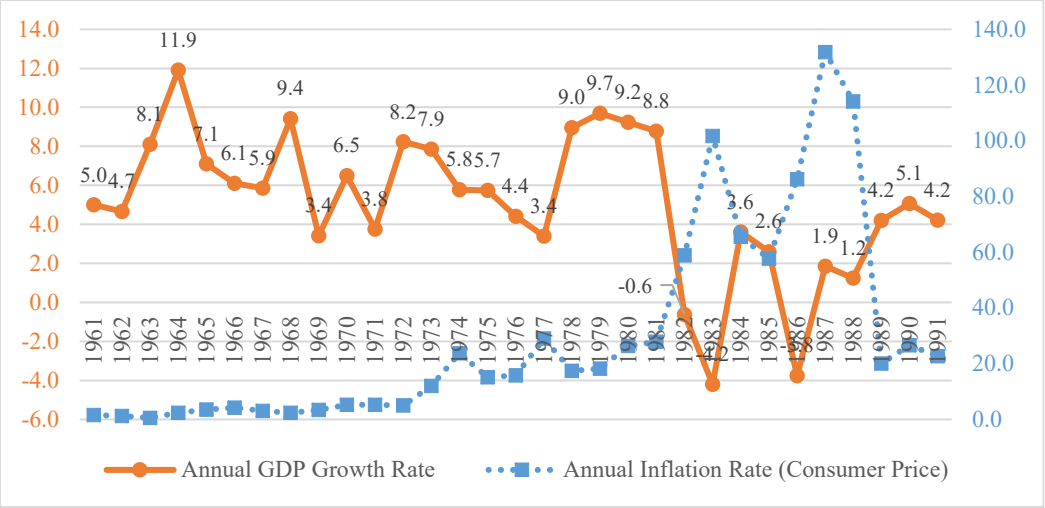

Figure 3.1: Mexico's Economic Growth and Inflation: 1961-1991 (%)

(Source: World Bank national accounts data, and OECD National Accounts data files)

The government prioritized economic growth at all costs in order to guarantee social and political stability. However, as the government was not able to implement an effective fiscal reform to better capture resources,[48] it had to increasingly rely on fiscal deficit and foreign debts to finance economic development. As a result, different from the previous decade, Mexico kept a double-digit annual inflation rate through the 1970s, and the country's external debt soared, even though the economy maintained a rapid growth rate between 1970 and 1982 (Rodríguez Kuri and González Mello 2015). The external debt of the country increased from 2.3% of the GDP in 1971 to 16.9% in 1982 (Rodríguez Kuri and González Mello 2015: 709).

While the middle class and the formal-sector workers benefited the most from the ISI, the low-income population did not see their condition improved (Escobar Latapí and González de la Rocha 1995, Loaeza 2015). Influenced by the Cuban Revolution, the late

[48] In 1970, Mexico's budgetary expenditure was 13% of the country's GDP, which was much lower compared to countries like Chile (22%), Venezuela (21%) and Brazil (20%). In the same year, Mexico's tax collection was 7.2% of the GDP, also much lower than countries like South Africa, Peru and Turkey (Rodríguez Kuri and González Mello 2015: 708).

1960s and the 1970s witnessed a wave of independent social mobilizations, social unrest and urban guerrillas (Bennett 1993). The 1968 Tlatelolco Massacre was a huge blow to the legitimacy of the official party. It seems that the previous social and political pact was no longer able to sustain the capital accumulation. In this context, the Echeverría Administration (1970-1976) sought to expand government intervention in the economy, to allow certain extent of political opening, and to renew the social pact by showing a firm commitment to social justice and social development.[49] The Echeverría Administration sought to further reinforce its political corporatism by creating a National Tri-Party Commission in 1971 (Echeverría Alvarez 1976). That is, the government acts as mediator of class interests, and works together with the capital and the unionized labor to address social problems.

Housing policy was clearly a component of the "shared development" project. In the 1970s and 1980s, the housing policy was further consolidated with the implementation of several institutional and legislative frameworks, such as the General Law of Human Settlements, the National Housing Program of 1978, and the Federal Law of Housing (Puebla 2002: 42-46). Compared to previous decades, the public sector became more deeply involved in the housing development process: a variety of housing agencies and funds were created, and more stable and abundant resources were channeled to social housing development. The housing policy in this period showed a more pronounced commitment to supporting the low-income urban working class and alternative housing options such as self-help housing.

Regarding policy related to self-built, informal housing, while the PRI was able to exercise political control quite effectively in many of the informal settlements in the 1960s, independent community organizations that refused to be co-opted by the official party gained considerable impetus in the 1970s (CIDAC 1990: 40). While the government had tacitly tolerated self-help housing as a pragmatic solution to the housing deficit since the

[49] What is called "shared development", see Alarcón and McKinley 1992, Rodríguez Kuri and González Mello 2015.

early stage of the rapid urbanization, in the 1970s, the government further institutionalized its support to this sector (Gilbert and Varley 1991: 48). This change occurred in a context of a general consensus in the academia and among policy makers that self-help housing could be a solution to the urban housing deficit and had its potential in consolidation and integration into the city.

In 1972, the Echeverría Administration established two major national housing organizations, namely the Institute of the National Fund for Workers' Housing (INFONAVIT) and the FOVISSSTE.[50] Later in 1976, the ISSFAM-FOVIMI was created.[51] These three agencies, also called "solidarity funds", are essentially compulsory saving programs. They require the employer to contribute a proportion of the employee's monthly salary to the latter's account (in the case of INFONAVIT, 5%). Affiliates of the solidarity funds can apply for mortgages and loans for housing acquisition, construction or improvement, or withdraw the savings from the account when retired. The INFONAVIT targeted the employees in private enterprises in the formal sector. The FOVISSSTE targeted the government employees and the ISSFAM-FOVIMI served the military. In this context, housing credits issued by the diverse housing agencies expanded rapidly: 807,691 housing credits were issued between 1973 and 1981 (89,743 per annum), compared to 240,979 credits between 1947 and 1970 (10,041 per annum, EHM 2014: Table 2.5). The three solidarity funds (INFONAVIT, FOVISSSTE and ISSFAM-FOVIMI) became leaders in issuing housing credits.

3.2.2. The INFONAVIT

Soon after its creation, the INFONAVIT became the most important housing agency in Mexico. It was established to target the housing deficit among the working class in the formal sector, to promote regional development, to stimulate the construction

[50] Housing Fund of the Institute of Social Security and Services for State Workers.

[51] Fund for Military Housing of the Institute of Social Security for the Mexican Armed Forces.

industry and to create jobs. These goals were consistent with the expansionist economic policy of the Echeverría Administration. From the beginning, the INFONAVIT takes five lines of action:

- Line-1 credit: to finance the construction of social housing projects;
- Line-2 credit: (low-interest) mortgages for housing acquisition;
- Line-3 credit: to finance self-building on the beneficiary's own land;
- Line-4 credit: to finance housing improvement or expansion;
- Line-5 credit: Affiliates can use an INFONAVIT credit to pay off home mortgages contracted with other agencies.

Although the INFONAVIT was originally established as an institution to finance housing acquisition, between 1973 and 1992, the major focus of the institute was to lead housing construction for its affiliates. For this reason, the number credits issued to finance housing projects (line-1 credits) was never below the 80% of the total number of credits issued (Graizbord and Schteingart 1998: 57). This was driven by the urgent need of increasing housing production: given the underdeveloped housing industry of the time, there were simply not sufficient amount of dwellings for affiliates to purchase with INFONAVIT credit (Del Carmen Pardo 2010, Puebla 2006, Silva-Herzog 2009). Acting as leader of housing production, the INFONAVIT was deeply involved in housing development process, including planning the housing projects, building its own land reserve, contracting constructors, providing technical support, promoting environment-friendly construction materials, and community organization in its social-interest housing projects. It even carried out scientific research on construction materials and had its own brick factory (Silva-Herzog 2009, Del Carmen Pardo 2012).

The INFONAVIT led housing construction in two approaches. The first was called "direct promotion": the Institute was responsible for locating the housing compound, subcontracting its construction and supervising the execution of the project etc. The housing was allocated by random sampling but also took into account factors such as income level, housing need of the applicant etc. The other was the "external promotion",

in which a representative of the unionized workers was in charge of the housing development process, and the INFONAVIT did no more than financing the project (Graizbord and Schteingart 1998). The direct promotion was the main form of housing promotion during the Echeverría Administration, but was replaced by external promotion in the 1980s, which signaled an increasing interference in the housing development and allocation from the (official) labor unions.

Compared to other agencies of the time such as FOVI or INVI, the INFONAVIT succeeded in channeling wider and more stable resources to housing promotion (Del Carmen Pardo 2012). From the beginning, the INFONAVIT has four major funding sources: contribution from employers (5% of employee's salary), mortgage repayment, the institute's own investment, and funding support from the federal government. Between 1972 and mid-1990s, employers' contribution was the major revenue source for the INFONAVIT, while mortgage repayment was marginalized (Puebla 2006).

Speaking to the corporatist nature of the INFONAVIT, its general assembly is formed by representatives from the government, from the entrepreneur sector and from the labor sector, so that the decision-making process followed the Tri-Party principle (Silva-Herzog 2009). That said, as the Institute got deeply involved in housing production and allocation, it also became an easy venue for political patronage and corruption (Del Carmen 2012). The government used short-term goals and statistics to showcase its social commitment,[52] to make alliance with the organized labor and to reinforce its legitimacy. Powerful official unions such as the CTM (Confederation of Mexican Workers) and the CROM (Regional Confederation of Mexican Workers) soon converted the Institute into a tool for political patronage (Silva-Herzog 2009: 29, 30). As Vizcaino (1978) documented,

[52] According Silva-Herzog (2009: 28), President Echeverría announced that the INFONAVIT would construct 100,000 housing units in its first year (He obtained this figure by simply dividing the funding that the Institute received that year [5,000 million Pesos] by the construction cost of each housing unit [50,000 Pesos], though both numbers were inaccurate). This figure was encouraging for the public opinion, given that the housing deficit at the time was estimated to be around 1 million units (Del Carmen Pardo 2012: 54). However, this goal was unrealistic: the peak of the amount of line-1 credits issued in a year was 77,653, in 1987.

the first director of the INFONAVIT, Silva-Herzog favored the "direct promotion" and insisted that "union affiliation" should not be a factor in the criteria for granting credit. Yet, when representatives of the official unions found that more than half of the Institute's affiliates were either not unionized or members of independent unions, they boycotted Silva-Herzog's policy and requested the housing allocation to favor affiliates of the official unions. Both President Echeverría and Silva-Herzog's successor sided with the official unions, and the external promotion (under strict control by the official unions) prevailed as the main form of INFONAVIT housing promotion in the 1980s.

3.2.3. The Crisis of Political and Social Pact in 1980s

Although the discovery of an enormous oil reserve in 1976 produced a sudden exportation boom and attracted large amount of foreign investment for Mexico, the structural deficiency of the economic model remained unresolved. The López Portillo Administration (1976-1982) continued an expansionist approach to economic development, launching ambitious industrialization and infrastructure projects, as well as social programs (Rodríguez Kuri and González Mello 2015). However, the dependency on oil exportation and the soaring external debts placed the Mexican economy in a highly vulnerable position. By the end of the 1970s, in order to lower the inflation rates, the industrialized countries, including the US, tightened their monetary policy and raised interest rates, which worsened Mexico's debt burden (Ocampo 2014). When the oil price in the international market dropped in 1982, Mexico ran out of foreign reserve to continue servicing its debt repayment obligations, which led to a severe economic crisis.

Mexico's economy suffered an enormous setback. Between 1982 and 1987, the country's GDP experienced a negative annual growth (-0.1%), and annual inflation rate in this period soared to 113.5% (Graizbord and Schteingart 1998: 24, 27). The working class was particularly affected by the decline in real wages, the shrinking of formal sector employment and decrease in government social expenditures. Poverty rates in Mexico

raised from 52.5% of all the households in 1981 to 62.5% in 1988. The improvement in income distribution during the previous decades was lost (Escobar Latapí and González de la Rocha 1995). The impacts of the 1982 Crisis also extended to political sphere: the failure of the economic policy and the nationalization of commercial banks after the 1982 Crisis increased the tension with the entrepreneur sector, and the neoliberal shift of the official policy alienated an important sector within the official party, who formed the "Democratic Current". Both the National Action Party and the Democratic Current posted an unprecedented challenge to the hegemony of the PRI, although the presidential candidate of the official party, Carlos Salinas won the controversial 1988 election.

In the aftermath of the 1982 Crisis, under the requirement of the international financial agencies, Mexico had to discard the ISI model and make a painful transition towards a new regime of accumulation. An austerity plan was implemented and public enterprises were privatized. Since 1980s, Mexico embraced an export-oriented approach to economic growth, originally aimed at generating more hard currency. Maquiladoras proliferated in the country, especially in the northern Border States. The new economic model was consolidated by the country's affiliation to the GATT in 1986. However, to make the export-oriented industry competitive in the global market, real wages were kept low, the union power was significantly reduced, and employment became increasingly precarious.

Since 1980s, Mexico's urbanization decelerated, with the proportion of the urban population increased from 66.3% in 1980 to 71.4% in 1990. The urban population grew at a much slower pace than the previous decade, now at 2.8% per annum (UNPD 2014, calculated by the author). The economic crisis and restructuring also impacted the hierarchy of the cities. The previous centripetal trend towards the primary city (Mexico City) was reverted, and new economic poles (such as the border cities where the maquiladora factories proliferated) experienced more notable growth (Rodríguez Hernandez and Olivera Lozano 2005).

Due to the inflation (For annual inflation rates of the 1980s, see Figure 3.2), the rapid increase of construction cost and the lower recovery rate, major housing agencies were soon decapitalized. In the case of the INFONAVIT, from 1972 to 1987, the credit issued by the institute was based on a fixed annual interest rate of 4% and for a period of 15-20 years; each month, between 14% and 18% of the debtor's salary would be discounted to repay the mortgage (Puebla 2006). However, as the annual inflation rate between 1982 and 1988 reached 86%, the recovery of the credit was impossible. For example, for a credit granted to an affiliate whose earning equaled the minimum wage, the Institute could only recover 12% of the real value of its investment (Del Carmen 2010: 71). Actually, between 1975 and 1986, the INFONAVIT only recovered 12.07% of its investment, and 15.09% between 1987 and 1991, which means a subsidy of around 85% (Puebla 2002: 118). The economic crisis forced the housing agencies to "rationalize" their operations (often at the expense of the target population) or diversify their financial resources. For example, the INFONAVIT allowed the floatation of interest rates, and the home prices were denominated in times of minimum wage.

Despite the economic crisis, the number of credits offered by the various housing agencies in the country maintained a general trend of increase, from 89,942 in 1982 to 409,694 in 1991 (Figure 3.2). Between 1982 and 1991, 2.52 million credits were issued (252 thousand per annum, EHM 2014: Table 2.5), and products were diversified (e.g. FOHNAPO's support to self-built housing and physical improvement of the housing). This shows that there was a clear interest in using the construction sector to stimulate economic recovery.

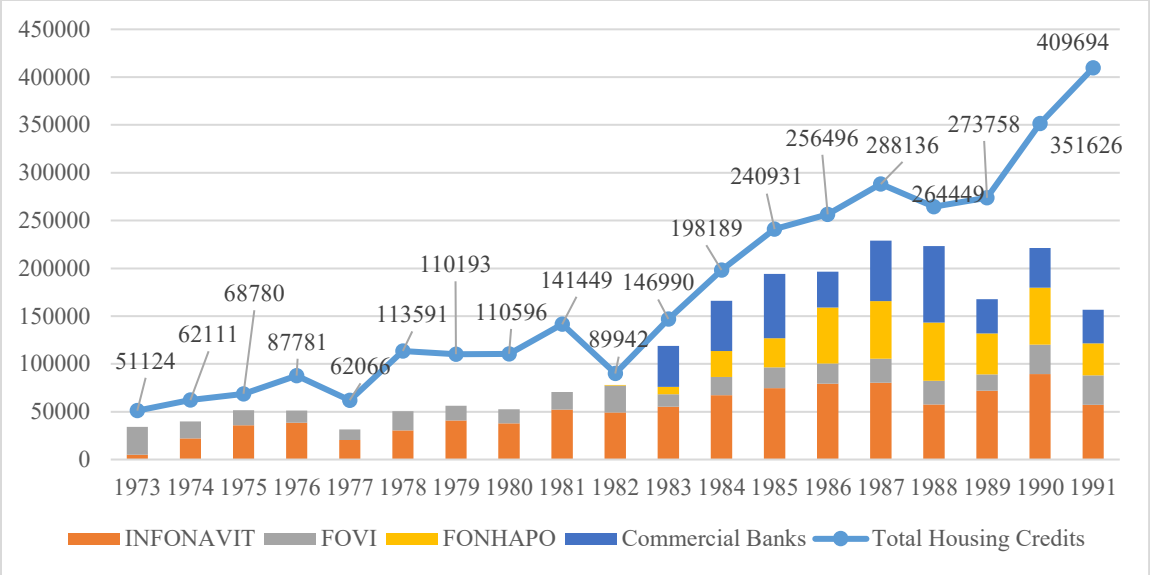

Figure 3.2: Number of Housing Credits by Major Housing Agencies, 1973-1991 (Source: EHM 2014: Table 2.5)

Regarding informal housing, in the aftermath of the 1982 Debt Crisis, informality was seen as a mechanism that could cushion the negative impacts of economic crisis on family income (Gonzalez de la Rocha 1994, Roberts 1994). Policy initiatives such as progressive housing, lots with service, and land title regularization were incorporated and consolidated into the housing policy agenda, as clearly reflected in the programs of agencies such as CORETT[53] and FONHAPO (CIDAC 1990: 44). However, the funding sources of these agencies were not stable.

To summarize, the agencies of "solidarity funds", to large extent, represented the consolidation of the political corporatism in social policy, namely a triparty approach that emphasized the negotiation, cooperation and partnership between government, workers

[53] CORETT (Comisión para la Regularización de la Tenencia de la Tierra) was founded in 1971, and is a federal-level agency that regularizes/ formalizes land tenure for informal settlements. Between 1974 and 1994, the CORETT regularized 1.086 million lots nationwide (Villar Calvo 2007: Table 47).

and entrepreneurs to address social issues. The solidarity funds also inherited the sectorial character of previous housing agencies, by giving priority to workers of certain characteristics (in the case of the INFONAVIT, low-income formal sector workers). Official unions exerted a strong influence in the allocation of social housing. That said, though not free from political manipulations, formal housing production of the time systematically targeted the urban working class in the formal sector, especially the group whose income was under two times of the minimum wage. The economic crisis in the 1980s posted a serious challenge to the financial sustainability of the housing programs, due to the inflation and the government budget cutting. As the country's economic model went through a profound transformation from the ISI to export-oriented industries, the previous social and political pacts would also be rewritten. This would generate repercussions in the paradigm of the housing policy as well, which will be discussed in the next section.

3.3. Housing Policy in Mexico: 1992-2015

This section will focus on the market-oriented shift of housing policy in Mexico, which is embedded in the general neoliberal transformation of the country since 1980s. I will then discuss in detail the reform of the country's largest public-sector housing agency, the INFONAVIT, and identify the national-level factors that triggered the social housing boom that took place in the 2000s.

3.3.1. The Context of the 1990s

The 1980s and 1990s witnessed a transformation of the accumulation regime in Mexico, from the Import Substitution Industrialization based on protectionism and internal market, to neoliberalism that pursued free market and integration into the global economy. After the highly contested elections where the PRI almost certainly only won after a

fraudulent count. The Salinas Administration (1988-1994) took a firm pro-business position. In the 1994, Mexico signed the North American Free Trade Agreement (NAFTA), and was further integrated into the US market. Restrictions on foreign investment were further removed. The participation of the public sector in investment significantly declined. While during the López Portillo Administration (1976-1982), investment by the public sector contributed 43.8% of the capital formation, this share declined to 23.4% for the Salinas Administration (1988-1994) and 16.7% for the Zedillo Administration (1994-2000, EHM 2014: Table 8.20, 8.21 and 8.22, calculated by the author). More public enterprises, such as the national railway system and the telecommunications company, were privatized. Salinas also tried to replace the country's subsistence agriculture with a commercial agriculture for exportation, though the success was limited (Márquez and Meyer 2015).

This transformation essentially rewrote the previous social, economic and political pact among the collective actors. Driven by the external orientation of the economy, the corporatist nature of the State was undermined and the mechanisms of labor protection weakened (Roberts 1996). The PRI attempted to repair its legitimacy and political control by implementing policies that favored the private capital, extending social program to the low-income sector, and introducing some democratic elements in the electoral regime. As poverty and inequality increased, the Salinas Administration launched an ambitious conditional cash transfer program, the National Program of Solidarity, with the revenues obtained from privatization (Márquez and Meyer 2015, Puebla 2002). Rather than a comprehensive social policy or general subsidies, the Solidarity Program delivered targeted subsidies directly to communities that were organized and to individuals that were in need. The program covered a variety of aspects, such as health, education, employment and public infrastructure. Though it was praised as an attempt to foment local-level participation and citizenship, it has also been criticized for being used as a political tool (Escobar Latapí and González de la Rocha 1995, Roberts 2005).

Yet, the 1990s still witnessed several major political and economic crises in Mexico, such as the 1994 Zapatista Movement in Chiapas and the assassination of the presidential candidate of the official party, Luis Donaldo Colosio, before the 1994 election. The 1994-

1995 financial crisis, caused by tremendous trade deficit and an erroneous foreign exchange policy, produced a huge setback for the country's economy. The government had to resort to an expensive bailout to avoid a total collapse of the banking system. The expansion of exportation facilitated the recovery of the economy (Márquez and Meyer 2015, also see the trend of annual GDP growth rate in Figure 3.3). Eventually, in 2000, the National Action Party, a conservative party that traditionally represented the entrepreneurs' interests, won the 2000 presidential election, and (peacefully) ended the 71-year uninterrupted rule of the PRI.

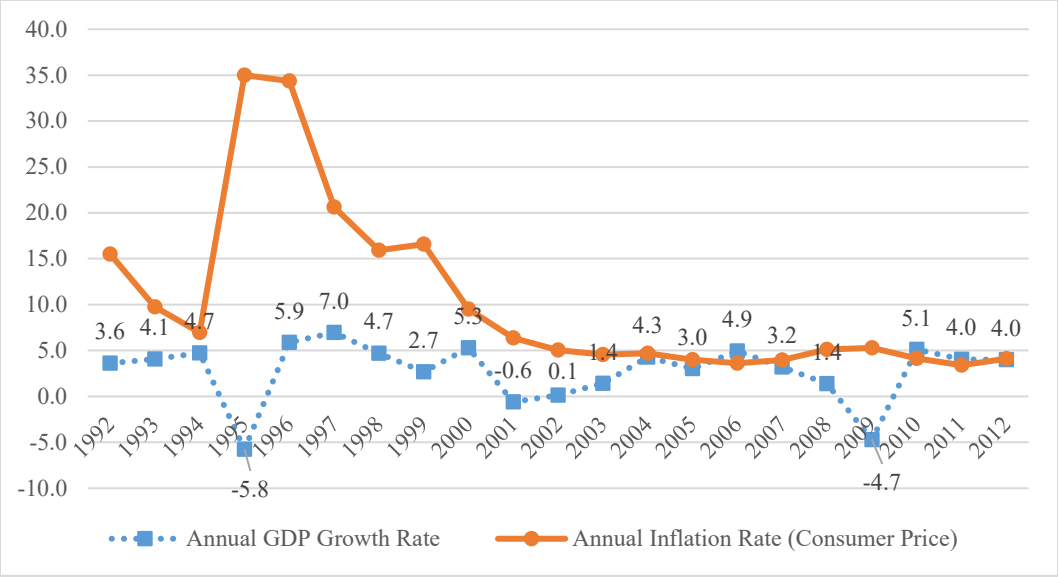

Figure 3.3: Mexico's Economic Growth and Inflation: 1992-2012 (%)

(Source: World Bank national accounts data, and OECD National Accounts data files)

3.3.2. Market-Oriented Housing Reform in Mexico: 1990s and 2000s

The evolution of Mexico's housing policy in the 1990s and 2000s was embedded in the general transformation towards neoliberalism and the reorganization of the social and political pacts. At the national level, two factors made social housing a profitable business and triggered its boom. Firstly, although the economic growth rate never

recovered to its pre-1982 level and the 1995 Financial Crisis was a heavy blow to commercial banks and to the household sector, by late 1990s, macroeconomic stability was restored with the decline of the inflation rates and interest rates (Carballo-Huerta and Gonzalez Ibarra 2009). A stable macroeconomic condition improved the certainty and feasibility of investment for developers and investors (annual inflation rates have been under 5% for most years since 2001, see Figure 3.3).

Secondly, the development of several key institutional frameworks in the 1990s and 2000s helped to channel capital into housing development and created a large pool of potential working-class homebuyers with access to housing finance (a quasi-guaranteed market for developers). These institutional developments in the 1990s and 2000s consist of the following four components:

(1) De-regularization of urban and housing development:

Since the 1990s, the government made efforts in reducing the costs, length and complexity of the authorization process for housing development (ASE 2012: 28). In 1992, the modification of the Article 27 of the Constitution lifted the ban on the sale (and thus urbanization) of the ejidal land, which facilitated the developers to acquire land and build land reserves. In the same year, the INFONAVIT ended its role as leader in housing production and was transformed into an institution of housing finance (will be discussed later in this section). Since the 1992 reform, the INFONAVIT had largely reduced its direct intervention in the housing production and development. The de-regulation of the housing development process, together with the motivation of profitability, has made housing production faster, cheaper and in larger scale. However, it also resulted in a significant decline in the quality of the housing projects: they are now located in the far periphery where land is cheap, not well connected to the city and where job opportunities are located. Infrastructure and service are often in deficit in these mass housing projects, which has

exacerbated social problems such as the concentration of poverty and the decaying of public security.[54]

(2) Removal of anti-market practices from housing development:

Recall that under the previous "external promotion" mode of the INFONAVIT, official unions heavily interfered with housing production and allocation. Now, individuals could bypass political intermediaries. Homebuyers became directly connected with the developers, and are supposed to have more options in housing purchase. The role of the collective actors (particularly labor unions) in housing development was largely reduced.[55]

(3) Modernization of institutional frameworks and infrastructures for the development of financial market:

In the early 2000s, a national Bureau of Credits was established to collect comprehensive individuals' credit history, so that lenders could better evaluate the risk associated with the borrowers (Zanforlin and Espinosa 2008). The lending terms of the mortgage loans were standardized. Public housing agencies such as INFONAVIT largely reinforced their financial discipline, with much less tolerance of non-performing loans. International financial institutions generally held a positive view on the streamlining and simplification of foreclosure procedures, seeing it as necessary step for the mortgage securitization (Zanforlin and Espinosa 2008). The 2000s saw further institutional changes in the housing sphere. In 2001, to better coordinate the diverse housing agencies and programs, the Fox Administration created the Comisión Nacional de Fomento a la Vivienda (CONAFOVI, later renamed Comisión Nacional de Vivienda [CONAVI], during the following Calderón [PAN] Administration).

[54] This will be discussed in detail in Chapter 6.

[55] Another example of the diminishing role of labor unions in distributing social benefits is the pension system. In 1996, with the implementation of a new *Ley de los Sistemas de Ahorro para el Retiro*, the country's pension regime was transformed from one based on collective negotiation to one based on individual contribution (ASF 2012: 27).

(4) Creation of new investment and financing opportunities

While new financial agencies and channels were created, financial products in the mortgage market were also diversified. After being reprivatized in early 1990s, commercial banks participated actively in the mortgage market, thanks to the introduction of inflation-indexed mortgages and a favorable international liquidity conditions. However, the 1994 Financial Crisis interrupted this trend. Due to massive defaults, commercial banks almost entirely withdrew from the mortgage market (Zanforlin and Espinosa 2008). In this context, an alternative type of mortgage agency, SOFOL, was created in the mid-1990s under the recommendation of NAFTA. The SOFOLs (*Sociedad Financiera de Objeto Limitado*, or "financial intermediaries that specialized in real estate mortgages") are essentially non-bank banks and intermediaries that channel resources from agencies such as FOVI to finance housing development and acquisition. Mortgages issued by SOFOLs increased from 45,566 in 2000 to 102,377 in 2005 (CHSM 2006: 50), though it significantly declined after the 2008 Global Financial Crisis (SNIIV 2018). Different from the commercial banks, these mortgages mainly targeted low-to-middle income groups (Zanforlin and Espinosa 2008). In the 2000s, the INFONAVIT started to issue mortgages jointly with commercial banks and other financial agencies, which increased the amount of single mortgage.

These developments paved the way for the development of a secondary mortgage market (Bouillon 2012: Chapter 7). That means, mortgage agencies can securitize their mortgage loans in order to broaden access to financial resources and disperse their market risks. In 2001, the FOVI was restructured to become the Federal Mortgage Bank (SHF) with the purpose to develop secondary mortgage market. The SHF offers partial financial guarantees and mortgage insurance, which provides a protection for investors against the household sector risks (Zanforlin and Espinosa 2008). Agencies such as the INFONAVIT, FOVISSSTE, SOFOLs and commercial banks actively participated in the securitization of home mortgages. From 2003 to 2010, the mortgage portfolio as a percentage of the GDP

increased from 7.4% to 9.2%,[56] and the securitized mortgages increased from 0.1% to 13.6% of total mortgages (Bouillon 2012: 196). Official statistics show that from 2003 to 2013, 1.075 million mortgages were securitized, and this method channeled an investment of 248,646 million Pesos into the housing sector in total (EAVM 2013: Figure 53).

These measures led to a significant expansion of housing finance. Between 1992 and 2012, more than 19.44 million housing finances were granted (around 920 thousand per annum [SNIIV 2018]). It is important to note that although increasing number of credits have been channeled to the improvement of housing condition since the second half of the 2000s, over 90% of the investment by housing agencies were to finance complete, new dwellings (as indicated in Figures 3.6 and 3.7).

Since the 1990s, the role of the public sector in housing policy has changed from that of leading housing construction and improvement, to that of fomenting the participation of the private sector in housing development (Puebla 2002). Government-sponsored credit institutions played a critical role in real estate lending (Figure 3.5 and 3.6). Between 2005 and 2010, for example, the market share of public institutions in real estate lending was around 2/3 (Bouillon 2012: Table 7.1). This trend certainly has to do with the 1994 Financial Crisis, after which the commercial banks almost entirely withdrew from mortgage lending. However, it also has to do with the fact that the private mortgage sector has preference for higher-income groups to minimize financial risks. Indeed, in countries such as Argentina and Brazil, government sponsored institutions also occupied a predominant position in real estate lending in the 2000s (Bouillon 2012: Table 7.1). Again, after the 2008 Global Financial Crisis, SOFOLs and commercial banks reduced their securitization activities, it was public lending agencies (mainly INFONAVIT and FOVISSSTE) that remained active in the securitization process (Bouillon 2012:196).

[56] That said, the housing finance system in Mexico is still very small, compared to developed countries like the US and Netherlands, where the mortgage debt can reach over 80% or even over 100% of the GDP (Bouillon 2012: 193).

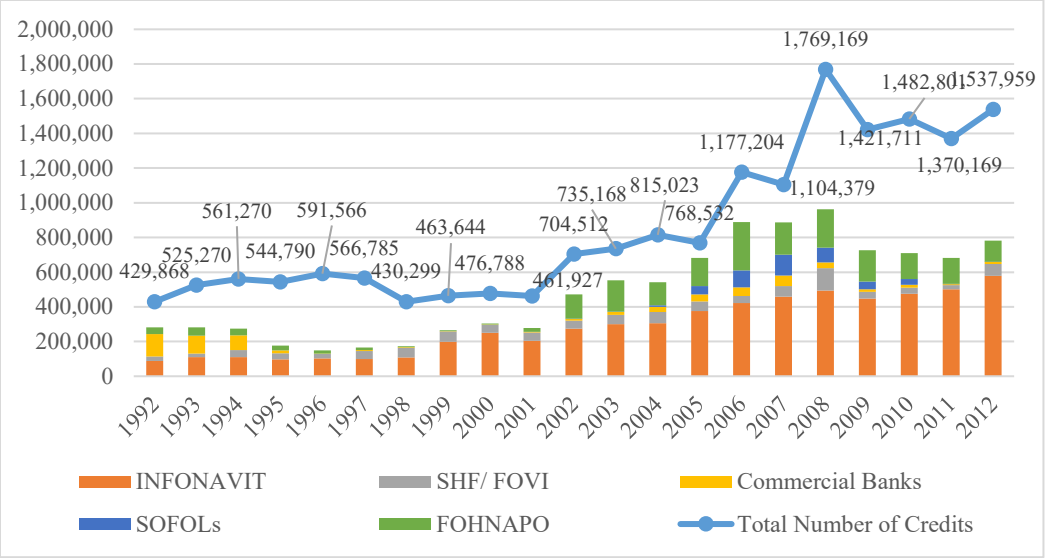

Figure 3.4: Housing Actions (Credits and Subsidies) by Major Lending Agencies: 1992-2012

(Source: EHM 2014: Table 2.5; Data for FONHAPO and SOFOLs are obtained from Sistema Nacional de Información e Indicadores de Vivienda)

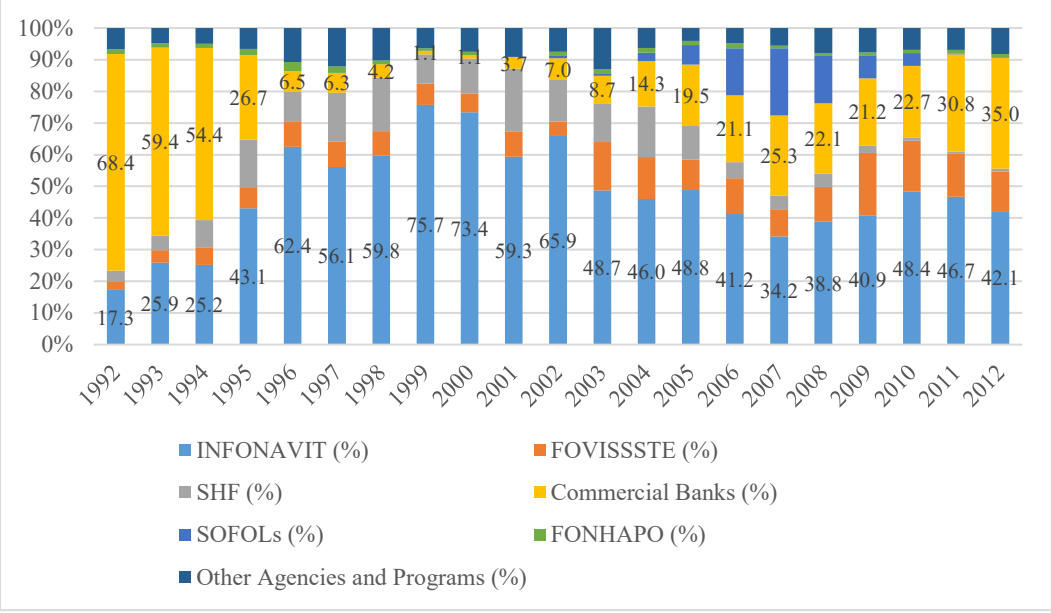

Figure 3.5: Value of Investment in Major Housing Agencies: 1992-2012 (%)

(Source: EHM 2014: Table 2.6; Data for FONHAPO and SOFOLs are obtained from Sistema Nacional de Información e Indicadores de Vivienda)

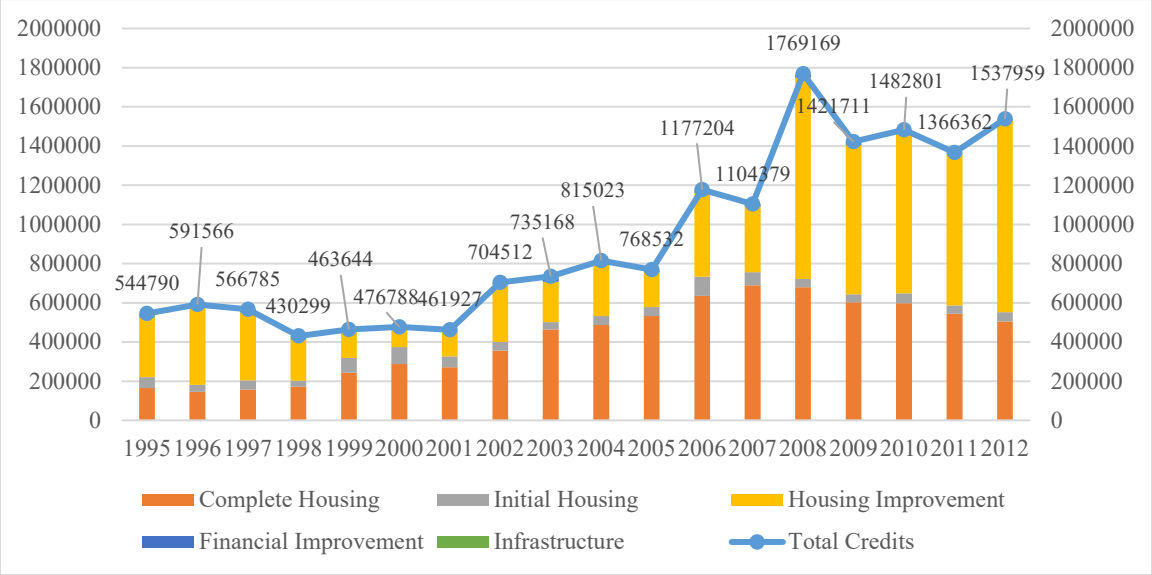

Figure 3.6: Number of Housing Credits Issued Each Year by Type of Program: 1995-2012

(Source: EHM 2014: Table 2.7)

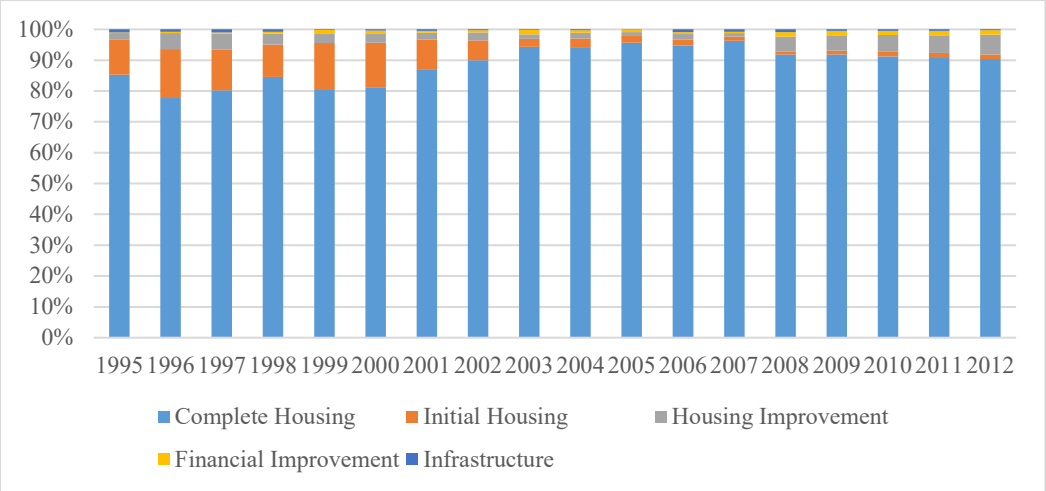

Figure 3.7: Value of Housing Credits Issued Each Year by Type of Program: 1995-2012 (%)

(Source: EHM 2014: Table 2.8)

3.3.3. The Reform of INFONAVIT and the Scale of the Social Housing Boom

As the most important lending agency in Mexico, in 1992, the INFONAVIT reinstalled its original purpose as a financial institution. It ended leading housing construction for its affiliates, and shifted its major focus to financing housing acquisition (purchase).

After the reform, line-1 credits (for the construction of social-interest housing projects) eventually disappeared. The mortgage boom is essentially a boom of line 2 credits (for housing purchase from a third party). In this period, credits issued to complete housing increased more than 4 times, from 164,964 to 688,755. Between 1997 and 2012, investment in complete housing was never below 80% of the total investment in housing by private and public agencies. In fact, after 2003, this figure never fell below 90%. It is clear that the focus of the formal sector (both private and public agencies) in housing is complete housing acquired from the market, while the support in housing improvement, self-construction and infrastructure is rather limited. Line 3 credits (for self-construction on one's own plot) experienced a considerable expansion in the 1990s, reaching its peak in 2000 with 28,698 credits, but diminished significantly in the recent decades, to only 2,632 in 2015. Line 4 credits (for housing improvement) also expanded significantly, from merely 1,044 in the year 1995 to 296,242 in 2015, though these credits are often small. Line 5 credits (use the INFONAVIT credit to pay off home mortgage from another institution) never occupied a major position, and its importance has also been diminishing in the last decade.

As mentioned in the section 3.2, the INFONAVIT traditionally relied on three funding sources: employers' contribution of 5% of the employees' salaries, the mortgage repayment made by its affiliates, and the Institute's own investment. Since the 1992 reform, the INFONAVIT widened its resources through two major approaches. First, since the late 1990s, and especially in the 2000s, the INFONAVIT further reinforced its financial discipline by subcontracting legal services to the private sector and by elaborating approaches to renegotiate the non-performing loans. As a result, the non-performing loans rates dropped significantly from early 2000s, to 45% in 1997 to around 5% in late 2000s.

In late 1990s, mortgage repayment replaced employers' contribution to become the major revenue sources of the INFONAVIT.[57] This significantly widened the resources available to the institute, which allowed the INFONAVIT to issue more mortgages. Second, the mortgage securitization started playing a significant role in expanding the revenues of the Institute. Since 2003, the INFONAVIT started to issue mortgage-backed securities (CEDEVIs), and by 2013, this method channeled an investment of 83,095 million Pesos into the housing sector (about 1/3 of the investment channeled by mortgage securitization to all the lending agencies [EAVM 2013: Table 39]). The revenues from the mortgage securitization are translated to more mortgages that the INFONAVIT can issue. Suppose the amount of a single mortgage is 200,000 Pesos, then between 2003 and 2013, revenues from the mortgage securitization enabled the INFONAVIT to issue 415,475 more mortgages.

While the Institute improved its financial discipline and increased its resources for housing finance, it also increasingly biased against lower-income affiliates. As mentioned in section 3.2, in most years of the 1980s, more than 70% of the credits of the INFONAVIT were allocated to workers earning less than 2 times minimum wages.[58] However, the weight of this group in mortgage allocation declined constantly during the 1990s, and in the year 2002, it received only 5.63% of the credits. This trend was inverted in the period between 2005 and 2014: the proportion of the debtors earning less than 2 time of minimum wage increased from 8.23% in 2005 to 25.19% in 2014. Moreover, Beneficiaries earning less than 4 times of minimum wage in this period received around above 60% of the INFONAVIT credits. In other words, the mortgage boom in the second half of the 2000s mainly targets the low and lower-middle income working class.

[57] In the 1980s, employers' contribution never fell below 70% of the total revenues of the Institute, and credits recovery was only secondary. This situation was reverted in the 1990s. In 2004, credits recovery accounted for 49.71% of the total revenues of the Institute, and employers' contribution only accounted for 44.73%. This is a clear evidence that the Institute had reinforced its role as a financial institution.

[58] This figure reached its peak in 1987, when 97% of the credits were allocated to this group.

Improved lending conditions, rapid increase in the number of mortgages issued and the diversification of the mortgage products led to this re-focus on home mortgage for low-income affiliates in the second half of the 2000s. With the existing conditions in 2000, a person applying for a loan of 300,000 Pesos with a 15 year term needed a monthly income of over 25,500 Pesos, but by 2006, an income of under 13,000 Pesos is enough (CHSM 2006: 44). The INFONAVIT also diversified its products. Higher-income INFONAVIT affiliates now can combine their INFONAVIT loan with a bank mortgage or a SOFOL mortgage, which released more resources for the institute to finance its low-income affiliates. More importantly, although public lending agencies always offer implicit subsidies (such as below-market interest rates), upfront subsidy offered by federal-level agencies (direct transfers complementing borrower's down payment, e.g. "Tu Casa" program or PROSAVI program) significantly reduced the entry barrier to mortgage among low-income affiliates. It is reported that in 2004, 302,100 loans (37.1% of the total loans) involved certain type of subsidy (293,322 implicit subsidy and 9,800 upfront subsidy). In 2005, 445,949 loans (65.7% of the total loans) involved subsidy (409,230 implicit and 36,719 upfront) (CHSM 2006: 48). The income group of 3-4 times minimum wage obtained most of the subsidy, followed by the income group of 2-3 times minimum wage and of 4-5 times minimum wage (CHSM 2006: 49).

While in the 1960s and 1970s, the private sector did not quite have the resources or incentives to invest in low-income housing and self-help housing in informal settlements was the most common housing option for the urban low-income working class. In the 2000s, social interest housing became a profitable business. The mortgage boom, triggered by the transformation of the INFONAVIT created a pool of potential homebuyers, and increased certainty for developers. There was a clear interest in lower segments of the housing market in the 2000s. In 2004, the low-income categories concentrated 63.4% of the existing housing stock of the country, but contributed 90.4% of the new dwellings built that year

(CHSM 2006: 45).[59] At the end of the Fox administration (2006), it was clear that the "vivienderas" (six largest developers of the country, which were listed and traded on the Mexican Stock Market: GEO, URBI, ARA, HOMEX, SARE and HOGAR) were in a period of expansion. BBVA's report in 2004 pointed out that 9 companies individually reported annual sale of over 5,000 dwellings. GEO and HOMEX respectively sold 33,200 and 21,100 dwellings in 2004, and then 37,400 and 31,800 units in 2005 (CHSM 2006: 26).

The expansion of the housing finance system and the social housing boom significantly changed the landscape of urban housing in Mexico. With the boom of large social housing projects expansion in the urban periphery, the relative importance of self-help, informal housing in *new housing production* has declined (Figure 3.8). Moreover, with the economic restructuring, urban poverty became more structural, and the conventional view that "informality" could serve as a mechanism for survival and social mobility has been challenged. While many of the early informal settlements of the 1970s and 1980s have been consolidated and integrated into the city, others also witness the deterioration of public security and rampant unemployment (Eckstein 1990, González de la Rocha 2001, Ward 2004). The major agency that served low-income population, FONHAPO, went through a severe financial crisis in the late 1990s. Even it was not dissolved, its share in housing investment has been marginal, usually around 1% -2% (Figure 3.5).

That said, this section does not intend to understate the importance of self-built housing and informal housing development as affordable housing option for Mexico's urban low-income population, particularly those who work in the informal economy and thus are less likely to obtain a home mortgages with agencies like the INFONAVIT. Self-built housing remains as the largest segment in the urban housing stock in Mexico. According to official statistics, by 2010, in Mexico's urban area, self-built housing still

[59] The Mexican housing market is classified into six segments by housing price: minimum, social, economic, middle, residential and residential plus. The low-income categories refer to minimum, social and economic housing.

accounts for over 56% of the urban housing stock (Rivera Calderón 2014). New needs, such as the housing rehabilitation and the generational transfer of titles (Ward et al. 2012), have emerged and require the actions of the public sector.

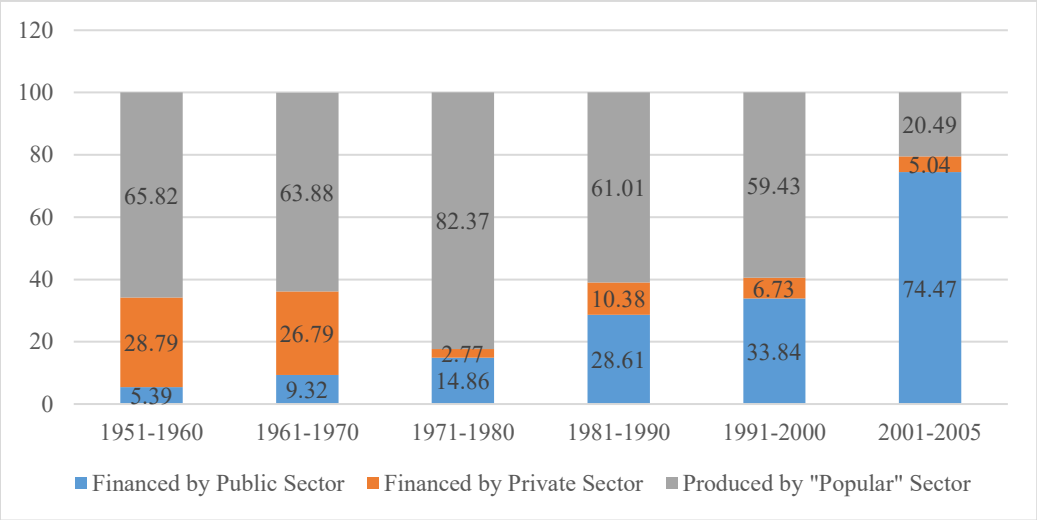

Figure 3.8: Housing Units Produced in Mexico by Sector: 1951-2005
(Source: Villar Calvo 2007: Table AE-4)

3.4. A Comparison of China and Mexico

This and the previous chapter have discussed the social housing policy in China and in Mexico. The question arises as to why social housing development in China takes a government-centered approach, while in Mexico it is market-centered approach, at least since the 1990s. Here I argue that this variation has much to do with the historical development of the housing policy.

3.4.1. Housing Policy, State Formation and State-Led Industrialization

Housing policy is part of the state-formation project, and is deeply embedded in the State's role in social reproduction of labor. During the rapid industrialization, housing

policy is often designed to pave the way to industrialization by cheapening the social reproduction of labor[60] and maintaining political stability.

Interestingly, as discussed above residential tenures in urban China and in urban Mexico in the eve of the state-led industrialization (that is, early 1940s for Mexico and early 1950s for China) were quite similar. At that time in most Chinese and Mexican cities, private rental housing was the majority of the urban housing stock. But by 1980s, the urban housing systems in China and in Mexico differed significantly from each other. In China, it was dominated by the public rental housing sector; while in Mexico self-built housing in informal settlements prevailed and the government, for the most part, turned a blind eye and adopted a *laissez faire* attitude (Ward 1986). I argue that the variation in the approaches to industrialization and the trajectories of the post-Revolutionary state formation will lead to different housing policies, and thus, different housing outcomes.

Regarding approaches to industrialization, in China, the Communist Party sought to achieve industrialization by prioritizing heavy industry, and essentially eliminated private property and the bourgeoisie sector. In China, the predominance of public rental housing reflects a "war-time communism" approach to cheapen the social reproduction of labor. This approach heavily suppressed consumption and market activities so that a maximum amount of resources could be channeled to heavy industry. The public housing sector in China during the planned economy never received sufficient investment. It was highly precarious and far from meeting the demand of the urban working class. Moreover, it had to be implemented with other measures, such as a strict restriction against rural-to-

[60] For countries like China and Mexico, one major challenge in the initial period of state-led industrialization was the shortage of capital and technology. This implied that the State had very limited resources for workers' welfare. Actually, for the four presidential terms between 1934 and 1958, social expenditures as a percentage of the public investment at federal level never exceeded 15%; bulk of the public investment was channeled to infrastructure and industrial development (Villar Calvo 2007: 339). Moreover, the reliance on capital-intensive modern corporations means that the ISI had a limited capacity in creating a large amount of formal employments that could incorporate the growing urban population. The concentration of investment and resources in a few large cities not only increased the regional inequality, but also exacerbated the urban problems in these cities, particularly Mexico City.

urban migration through the household registration system, the expropriation of private rental housing, and a tacit tolerance of the existing slums.[61]

In Mexico, the post-Revolutionary transformation was much less radical, and never intended to abolish private property or the market. Moreover, Mexico's industrialization initiated from consumer goods, and heavy industry was viewed as the final stage of the Import Substitution Industrialization. The government left the housing provision to the people alone by adopting a pragmatic tolerance towards self-building and informal settlements. The very limited public-sector-supported affordable, social housing production was reserved for the urban middle class or formal sector workers affiliated to official unions.

Regarding the Post-Revolutionary State formation process, although the post-revolutionary regime in Mexico enjoyed some level of state autonomy, this autonomy was much less compared to the China. Mexico's official party, the PRI, was essentially a mechanism for distributing and organizing power among the revolutionary factions, as well as enforcing control over the mass. Thus, political corporatism was a key feature of the post-Revolutionary State-society relations, as well as how the political power is organized within the new regime. Mexico's housing policy during the ISI period was characterized by its sectorial and corporatist approach.[62] Compared to the Mexican case, where the

[61] The Chinese government allowed certain extent of slum upgrading; however, unlike in Mexico, where large expansion of informal settlements accommodated bulk of the rural-to-urban migrants, in China, the expansion of slum was curbed, as rural-urban migration was largely restricted; rather, slum upgrading was supposed to accommodate the housing demand of the registered urban residents.

[62] Indeed, the ISI model required the Mexican State to take a variety of protectionist measures to support its nascent industries, such as import licensing tariffs, exchange controls, cheap loans from development banks, infrastructure development, and direct participation of government in certain industries (Baer 1972). The State also made considerable attempt to negotiate a social and political pact between the government, the industrial bourgeoisie, and the unionized labor to pave the way for industrialization. That said, the extent to which the Mexican State was autonomous was rather limited. For example, Aspra (1977) documented how some industrial sectors lobbied to maintain the protectionist measures, although these measures were no longer necessary. The domination of the mass by the official party in Mexico was achieved through a skillful combination of coercion,

government used housing policy in exchange for political loyalty of certain sectors, in China, such negotiation rarely occurred, as the Communist Party established a far more authoritarian regime than the PRI. That being said, the fact that most new urban dwellings were public rental housing also created a deep dependency of workers on their work units, since alternative forms of housing access such as market, private rental housing, or self-building rarely exist under the planned economy.

In sum, China and Mexico shared a similar urban housing system in the eve of State-led industrialization. The reasoning behind the housing policy was also similar: to cheapen the costs of social reproduction labor and to maintain political control of the urban working class. However, the different approaches to industrialization and the different trajectories of post-revolutionary state formation led to different housing policy approaches in the two countries.

3.4.2. Housing Policy Reform in the Neoliberal Era: A Comparative Perspective (1980s-2000s)

The market-oriented housing reforms in China and in Mexico since the 1980s shared some important similarities. Both reforms were launched in response to the crisis that had emerged from previous housing policies, as well as a component of each country's broad neoliberal transformations. In China, as the public sector never invested adequately in the urban housing sector by the late 1970s the housing was even worse than in 1949 and it had become clear that the government alone was not able to reduce the housing deficit. In Mexico, housing agencies were severely decapitalized in an inflationary context after the 1982 Debt Crisis. Moreover the "official party" (the PRI) was struggling to organize the society in a corporatist way as in the past and was facing increasing challenges from other political parties, as well as a quickening in demands for political opening. At the same

concession and cooption. Selective treatment was often applied to create division among the mass, to punish the non-conformists and to reinforce the hegemony.

time, in both China and Mexico, the transformation of the housing policy is embedded in a redefinition of the role of State in economic development and social provision, the deregulation of the labor and financial market, as well as the expansion of the market relations and the financial capital in the urban housing sector.

Both in China and in Mexico, housing reform encouraged the participation of the private sector, with the purpose of reducing the fiscal and administrative burden of the public sector in housing provision, and both reforms sought to eliminate anti-market practices and reduce the role of intermediary collective organizations' role in housing provision (official unions in Mexico and work units in China). Yet, the role of the public sector was critical to these institutional developments.

In both countries, while reducing the housing deficit and maintaining political control are still desirable policy goals, there has been a more pronounced emphasis on the profitability of the housing industry and the real estate sector. Housing has increasingly been viewed as a stimulus to the economy. In China, housing was once viewed as a non-productive consumption and welfare good; but by early 2000s, the real estate sector was officially announced as the backbone of the national economy. In Mexico, whereas until the 1990s, neither the private capital nor the public sector had the motivation or the resources to invest in affordable housing for low-income groups, social housing production became highly profitable for developers in the 2000s. In both countries, large developers have been listed on the stock market, and a variety of financial products have been applied to its finance. The link between housing and the financial capital had become stronger than ever before.

Nevertheless, while the Chinese and Mexican governments have actively fomented the housing industry and the real estate sector, they have taken different approaches. In China, government intervention in the housing sector takes *a macroeconomic approach*; that is, macroeconomic goals (investment, fiscal revenues, and financial risk) also dominate the specifics of its housing policy agenda. This is not to argue that Mexico's housing policy ignores the macroeconomic impacts of the real estate sector but rather that

unlike in China the *centrality* of macroeconomic concerns is not highlighted in Mexico's housing policy agenda. In Mexico today (and since the 1990s) electoral democracy prevents the government from undertaking such extensive direct intervention in the economy as its Chinese counterpart and where the centralized CPC seeks alternative sources of legitimacy, largely through economic growth.

3.4.3. Different Approaches to Social Housing Development in China and in Mexico: An Explanation

Housing reforms in China and in Mexico have produced impacts on the low-income people's housing access. While in Mexico a commercialized social housing system rapidly expanded, in China the government had to lead the construction of social housing for low-income urban population. I argue that the different approaches to low-income housing in China and in Mexico is a result of the historical development of the policy, or the existing structure of the housing regime when the market-oriented housing reform was initiated in the 1980s and 1990s.

In the Mexican case, the housing reform in the 1990s mainly targeted the low-income working class, since at the time, the main public-sector housing agency- INFONAVIT- mainly attended *the low-income working class* (who earned less than 4 times of the minimum wage). The mortgage boom, the deregulation of land development and innovative financial arrangements converted the social housing sector to a profitable business. Yet, middle and upper class's housing access remained largely untouched. On the contrary, in the Chinese case, since the majority of the pre-reform urban housing was public rental dwellings, the Chinese housing reform targeted *the entire urban sector*, which included a wide income strata. The product of the housing reform was a commercial housing sector, which is far more profitable for developers than affordable/ social housing.

In other words, the housing reform in Mexico sought to fix the government failure, and thus the "market" was seen as a ***solution*** to the housing deficit among the low-income

urban working class. The housing reform in China also intended to fix the government failure in the beginning, but as it targeted the entire urban population (including the middle and high income groups), the newly-formed commercial housing market soon became "gentrified", and started to exclude the low-income groups. A profitable social housing sector, as in the case of Mexico, does not exist in China. Thus, in China, the market is viewed by policy makers as the ***cause*** of the low-income housing problem. The implication is that, if the Chinese government were to reduce the housing exclusion among the urban poor, it would have to directly intervene and fix the market failure. In other words, government should take supply-side actions, such as constructing dwellings for the urban poor, because the private sector is not interested in it. Demand-side actions may not be effective: to subsidize the urban poor so they can afford a commercial housing could further raise the commercial housing price, and would be more expensive than construct dwellings for them.

That being said, I do not intend to argue that the existing housing structure would automatically lead to a certain approach of social housing development. Rather, I refer to possible ***policy options*** for the central/ federal government: government-led social housing construction cannot proliferate in Mexico, and the commercialization approach to social housing cannot prevail in China. It leads us to ask: if currently a commercialized social housing sector in China is not feasible, why does not the State encourage alternative forms of housing options for the urban working class, such as self-building, workers' corporative housing? In Chapter 2 we offered a partial answer this question: the central government in China uses social housing to stimulate investment and economic growth, which was part of the stimulus package following the 2008 global financial crisis. Vice versa, if the market was viewed as a solution to the housing deficit among low-income urban population, why did Mexico not privatize the INFONAVIT? The persisting importance of the INFONAVIT reminds us of the critical role that the public sector plays in the expansion of market relations in Mexico.

3.5. Conclusions

Mexico's Housing policy since mid-20th century underwent a paradigmatic transformation, from one characterized by political corporatism and State leadership, to one centering on facilitating the participation of private capital. While in the 1960s and 1970s neither the private nor the public sector had enough incentives or resources to invest in low-income affordable housing (and self-help, informal housing was the predominant form for the urban poor), social housing became a profitable business in the 2000s and 2010s. This chapter identified several national-level factors that led to the social housing boom, including a stable macroeconomic condition, several pro-market institutional developments, as well as arrangements that expanded mortgages and subsidies to low-income formal sector workers that created a large pool of potential homebuyers.

Social housing development took a market-centered approach in Mexico, and a government-centered approach in China. In this chapter, I have argued that this variation in approaches to social housing has much to do with the existing housing regime when the market-oriented housing reform started in the two countries. The housing reform in Mexico sought to fix the government failure, and thus the "market" was seen as a solution. On the contrary, in China, the market is viewed by policy makers as the cause of low-income housing problem, which requires the government to take supply-side actions. Based on this comparison, I also highlighted that the historical development of the housing policy informs us about the policy options at a particular critical juncture.

Chapter 4: Social Housing Development in Nanjing: Local Government as Entrepreneurial Landowner

This chapter will discuss the politics of social housing development in China through a case study of Nanjing. As Chapter 2 and 3 showed, social housing development is a policy created by the central government. Yet, it has to be implemented by the local government. This chapter asks: What motivated the local authorities to promote the social housing development in Nanjing? What are the structural and institutional constraints for the implementation of the policy? Do the local authorities implement the policy as established by the central government? Finally, is the social housing development model in Nanjing financially and socially sustainable?

This Chapter will first briefly review the housing development in Nanjing, the housing situation among the low-income population, as well as how social housing is developed and allocated. Then I will discuss how local government in Nanjing reinterprets the social housing policy proposed by the central government and uses social housing to promote its urban agenda, which prioritizes the spatial reorganization and land capitalization of the city.

The changing central-local relations in the 1980s and 1990s created a specific set of constraints and incentives for the local authorities to reinforce their developmentalist character. As I will show, local governments converted land into a finance machine to fund their infrastructure projects and to expand their fiscal autonomy. Paradoxically, the dependency on the capitalization of land for local public finance today puts the sustainability of urban governance into question.

4.1. Housing Development and Housing Deficit in Nanjing: 1990s-2015

As we saw in Chapters 2 and 3, both China and Mexico experienced dramatic changes in their political economy from the late 1980s onwards: political and economic

liberalization, the rise of neoliberalism, and a major spurt in housing financing in Mexico; and, similarly in China, major economic reforms and more capitalist-style development, albeit under continued central Communist economic and political control, combined with decentralization of some autonomy to the provinces and cities. [63] Here I take up the story at the fulcrum of significant change that occurred in China over the last three decades.

4.1.1. Housing Reform in Nanjing in 1990s

As mentioned in Chapter 2, the central government launched a housing reform in the 1980s that sought to release the government from the burden of housing production and to introduce the market mechanism in the housing sector. The public-sector developers actively participated in the incipient commercial housing production (History of Real Estate Development in Nanjing: 232). The public sector was the only agent able to carry on this task of urban redevelopment, given that the private sector was almost non-existent. Since 1981 the prefectural and the district governments, as well as some state enterprises, established numerous "urban development companies", which later became public-sector real estate developers. By 1990 there were 22 such developers in the prefecture (General History of Urban Development in Nanjing: 14). Although most of these dwellings were bought by foreign investors, oversea Chinese, or work units that later assigned the dwellings as public rental housing to their employees, [64] the business generated considerable revenues for the local government and the public sector developers. The experience in the 1980s and 1990s raised the awareness among the local authorities that urban development and urban land could potentially become a highly profitable business.

[63] In order to maintain comparability with the analysis of the case of Mexico, my focus in this chapter is upon urbanization and social housing development in Nanjing from the 1990s through to 2015. For the interested reader, at Appendix 2 I include a detailed background description that documents the patterns of urbanization and housing provision across the various Five Year Plans in China from the 1950s to the 1980s.

[64] In 1996, only 28.5% of the sold commercial housing (in floor area) in the city was sold to individuals (Nanjing Almanac 1997: 149).

From 1992, the prefectural government further advanced the market-oriented housing reform, following the guidance from the central government. Local authorities created the city's housing provident fund, promoted commodity housing and started selling the existing public rental dwelling to its occupier. The supply side of the real estate market responded with much enthusiasm. [65] While in 1990 the real estate sector contributed only 2.6% to the total investment in fixed capital, this figure increased to 23.3% in 1994, and has sustained between 20% and 25% since then (Nanjing Almanac 1991-2015).

Since the 1980s and particularly in 1990s, local authorities subjected the urban redevelopment and the urban expansion under increasing government planning, guidance and control. From then on, mass housing projects, rather than scattered single residential buildings or self-built settlements, became the predominant form of housing development in Nanjing. By 1999 38.9% of the urban dwellings (in floor area) in the city were located in housing projects of floor area over 100,000 sq. m. (History of the City of Nanjing: Volume 2, Chapter 13, Table 13-6; calculated by the author).[66] This stands in sharp contrast to the urban landscape of many Latin American cities, including Guadalajara.

4.1.2. Housing Policy and Housing Development in the 2000s

As in the rest of the country, the role of the public-sector work units as director housing provider was ended in 1998. Since then, housing was rapidly commercialized, with the privatization of the existing public rental housing stock and the development of a commercial housing market. By 2000 some 424 thousand public rental dwellings had been sold to their occupants, which equaled 82% of all the public rental dwellings qualified for

[65] A chaotic expansion of the commercial housing in early and mid-1990s resulted in high vacancy rates. In 1996, for example, 5.86 million sq. m. of new commercial housing was available for sale in the market, but by the end of the year 4.08 million sq. m. remained unsold; most of these dwellings were located at the far periphery (Nanjing Almanac 1997: 149).

[66] If the average floor area of the dwelling is 65 sq. m., this means about 40% of the urban housing in 1999 was found in mass housing projects of over 1,500 dwellings.

sale (Nanjing Almanac 2001: 85). Since these privatized dwellings were also allowed for sale in the market, the commercial housing market expanded significantly. The fact that individuals now had to acquire housing on their own in the market increased the effective demand in the housing market, and thus reduced the stock of the unsold commercial housing to 4% in 2003 (Nanjing Almanac 2004: 82).

In general, between 1998 and 2004 the local authorities' focus was on consolidating and stimulating the commercial housing market. Relevant institutions such as the housing provident funds, property registries and commercial housing mortgages, among others, were consolidated. Housing and land-use rights became increasingly commodified, and the housing market became increasingly competitive. Large developers based in other parts of the country entered Nanjing. The real estate sector became a full-fledged engine for the city's economic growth. Between 2000 and 2015, investment in the real estate sector increased by 19.5% annually. While in 2000 the real estate sector contributed 4.1% of the city's GDP, this number steadily increased to around 6%-7% in the 2010s, which is similar to the national trend (Nanjing Almanac 2001-2016).

Table 4.1: Forms of Housing Acquisition in Nanjing: 2000 and 2010 (% of Total Urban Households)

	2000	2010
Self-built housing	13.7	8.4
Purchase new commercial housing	3.5	23.1
Purchase used housing	-	7.2
Purchase new economic housing	3.6	9.8
Purchase previous public rental housing	39.5	25.2
Rent public rental housing	25.7	2.3
Rent commercial housing	8.1	19.3
Other	5.9	4.7

(Source: National Population Census of the People's Republic of China 2000, 2010; calculated by the author)

Regarding the outcomes of the housing reform, the housing production continued increasing rapidly after the 1998 housing reform. The annual production of new housing increased from 3.1 million sq. m. in 1998 to 13.6 million sq. m. in 2015 (Nanjing Almanac 1999, 2016). In general, the housing condition has been increased significantly: per-capita housing floor area increased from 13.7 sq. m. in 1990 to 36.5 sq. m. in 2015 (History of Real Estate Development in Nanjing: 40 [calculated by the author], Nanjing Almanac 2016). The tenure structure in the city has changed significantly, as shown in Table 4.1. Homeowners as a percentage of the urban households increased from 60.3% in 2000 to 73.7% in 2010.[67] Percentage of the urban households that resided in public rental housing decreased from about 25% to only 2.3%; in contrast, percentage of the urban households that purchased a new commercial dwelling increased from 3.5% to 23.1%. The housing demand that was severely suppressed during the previous decades was rapidly released. The expectation of a buoyant real estate market and the lack of other reliable investment channels also converted housing into a popular investment good.[68]

From 2005 onwards, the city government started to intervene in the real estate sector in a more systematic fashion. Often the upper-level governments establish general policy goals and approaches, and the city government is required to formulate and implement concreate measures accordingly. Many of these measures are countercyclical. Local government employed land supply, housing finance (mortgage, loans, and housing provident fund),[69] fiscal policy (fees and taxes), social housing, and occasionally administrative measures to influence housing supply and demand.[70] Sometimes, local

[67] Homeowners include those who acquired their housing by purchasing new commercial housing, new economic housing, used housing or previous public rental housing.

[68] The average per-square-meter price of new commercial housing in Nanjing increased by 560% from 2003 to 2016, while the average annual inflation rate (consumer price index, CPI) in the same period was only 2.9% (see Table 4.3).

[69] The housing provident fund is run by local governments in China.

[70] For example, to suppress speculative housing demand, in 2011, the prefectural government forbade urban registered households to buy a third property, and forbade unregistered urban households to buy a second property (for unregistered homebuyers, they were also required to

authorities are required by the central government to address the issue of housing affordability. For example, in 2013, the prefectural government in Nanjing established the policy goal that the annual growth rate of the average price of new commercial housing would not exceed 10%. However, by the end of the year, despite all the measures applied, the housing price increased by a 16%. The local authorities received a verbal warning from the Ministry of Construction (National Business Daily 2014).[71]

That said, although local governments have to concretize the housing policy proposed by the central government, local authorities often reinterpret it according to local condition and their own agenda. For example, in 2006 the then Ministry of Construction ordered that 70% of the land dedicated to new housing development should be dedicated to the development of dwellings that measure smaller than 90 sq. m. The purpose of this policy is to improve the housing affordability by altering the structure of housing provision to favor smaller (thus cheaper) housing. The prefectural government enforced the policy with varying degrees of rigor in different zones of the prefecture, so that the most valued zones were not quite affected by this policy, and overall the land dedicated to small dwellings met the requirement of the central government (Prefectural Government of Nanjing 2006). Often, when the real estate market in its jurisdiction was in recession, the local government responds with relaxing or lifting those restrictive measures, because the prosperity of the real estate market is directly associated with the local fiscal revenues.

provide evidence of having paid social security in the city for more than a year). This policy was lifted in 2014 during the recession in the housing market (Xinhua Daily 2014).

[71] When subnational authorities receive a verbal warning, they have to meet officials from the central government, discuss the causes of the problem and possible solutions.

Illustration 4.1. Skyline of Nanjing from the City Wall (the nearest is a consolidated self-built neighborhood dating back to the Pre-Communist era; in the middle can be found a cluster of multi-storey former socialist public rental housing; and the furthest are the skyscrapers in the downtown CBD; photo taken by the author)

Illustration 4.2. Highrise Real Estate Development near a Village in Nanjing (photo taken by the author).

Illustration 4.3: A High-Income Real Estate Development in Nanjing (photo taken by the author).

4.1.3. Housing Access for Low-Income Working Class and Stratification Patterns

While housing production has increased and the general housing condition in Nanjing has improved significantly since 1980s, new forms of inequality and exclusion also emerged that disadvantage low-income working class to get decent access to housing.

In general, the housing affordability deteriorated from 2003 to 2015, though significant fluctuations also occurred (Nanjing Almanac 2004-2016; Nanjing Statistical Yearbook 2004-2016, calculated by the author). [72] This deterioration of housing affordability applies to all income groups. That being said, it should be noted that from the very beginning, commercial housing was not economically accessible for people in the lowest two quintiles: to purchase a new commercial dwelling of 90 sq. m. in 2003 would

[72] For a more detailed discussion on housing affordability in Nanjing since the 2000s, please see Appendix 3.

cost 70 years' income for the lowest quintile, and 41 years' income for the second lowest quintile; meanwhile it only costed 12 years' income for the highest quintile (see Appendix 3).

High-income groups are in general in better positions in contracting home mortgages from commercial banks and the housing provident funds. More importantly, as the average housing price rose 560% from 2003 to 2016 (Nanjing Almanac 2004-2017),[73] for those who own additional properties, it is feasible to finance home-buying by selling out an old property and taking advantage of its rising value. These strategies, in general, are not applicable for low-income groups. They were further disadvantaged by the increasing spatial differentiation in the commercial housing market. In 2015, if one plans to spend 30 years' income to buy a new commercial dwelling of 75 sq. m., the only options for the quintile of the lowest income are found in the two far-peripheral districts: Luhe and Gaochun, while for the quintile of highest-income, they had options in all districts (see Appendix 3).

Viewed thus, commercial housing market is a powerful mechanism to stratify the urban space by sorting homebuyers to different locations according to their purchase power and excluding the low-income groups. Given the high per-square-meter price of the new commercial housing, policies such as "70% of the floor area of new housing development should be dedicated to dwellings smaller than 90 sq. m." simply could not make the housing affordable enough for the middle- and low-income population. So, where can they find alternative housing options?

In a sample survey conducted in Nanjing in 2005, Liu and her colleagues (2007) found while 61.9% of the quintile of the highest income acquired their housing either by purchasing a new commercial dwelling or by purchasing the former public rental housing that they resided, this number was only 15.7% for the quintile of the lowest income (also

[73] The rising housing price is not due to inflation- actually, between 2003 and 2016, the consumer price index (CPI) in Nanjing fluctuates between 0.1 and 6.2 (on average 2.9, see Nanjing Statistical Yearbook 2004-2017, calculated by the author), which is much lower than the growth rate of the price of new commercial housing.

see Figure 4.1). This suggests that the higher income groups were more involved in (and benefited from) the commercialization and privatization of housing than groups of lower income. Meanwhile, the quintile of the lowest income was more likely to inherit or rent a private housing. To my knowledge, this group includes homeowners (often registered urban residents) who lived in self-built housing that was constructed before or during the planned economy, and low-income migrant workers who lived in cheap private rental arrangements.

Figure 4.1: Forms of Housing Acquisition by Quintiles of Income in Nanjing, 2005 (Source: Liu et al. 2007, elaborated by the author)

Although by 2010 self-built housing still housed 8.4% of the city's urban households (Table 4.1), most of these dwellings were constructed before or during the planned economy, whereas currently self-building is mainly a rural phenomenon (on communal land). The predominant form of urban housing production in Nanjing since 1980s has been developer-built housing projects. The current land regime does not allow the formation of new self-built settlements in the urban area.

Social housing (including economic housing and public rental housing) is another option. It is mostly restricted to low-income urban registered residents with housing deficit. As we will discuss later in this Chapter, during the 2000s most social housing dwellings were reserved to accommodate households whose home was demolished in the urban redevelopment or urbanization projects. Social housing projects are reported to concentrate large number of population living under the poverty line, as will be discussed in more details in Chapter 6. Some social housing dwellers also rent out their properties, at relatively less expensive prices.

Another option, though much less significant regarding its scale, consists of the unauthorized commercial housing projects (Li and Duan 2013). They are otherwise similar to regular commercial housing projects, except that they were built on communal land at the urban periphery, which is not allowed by the land law and thus the homebuyers cannot obtain proper title for the property. Often, township/ sub-district governments or village collectives built housing projects on rural communal land to accommodate peasant families relocated for urbanization or industrial projects (which was legal), but local authorities often built many more dwellings than what was needed for the relocation, and sold the rest as commercial housing for profit (which was illegal, as commercial housing development on communal land was strictly forbidden, see Tiexinqiao Subdistrict Delegation 2014). As these housing projects bypassed the procedure of state expropriation (and thus did not pay the lease of land use), the housing price was much lower compared to regular commercial housing, and thus are popular among low-income urban residents and migrant workers (Li and Duan 2013). In Nanjing, in 2004, there were about 200 developer-built housing projects that can be classified as unauthorized (Jiangsu Now 2012). It should be noted that unauthorized housing development was mainly a phenomenon of the first half of the 2000-2010 decade. As the government tightened its control over land use and strictly prohibited this type of housing development in 2003, new unauthorized housing projects are rare since then (China News Service 2007). That said, it remains a sensitive topic of policy debate whether the existing unauthorized projects should be formalized or demolished. Until now,

in Nanjing, only 10 of these projects were authorized to be formalized after a fee was charged (Jiangsu Now 2012).

A considerable amount of less expensive rental housing options are found in the villages located at the urban periphery. Some villages became encircled by the urban built area, as the urbanization occurs rapidly. In most cases, the city government may have expropriated the farmland and converted it to urban land, but not the dwellings. Villagers, now having lost their farmland, subdivided their dwellings and turned them into cheap rental housing. By 2005, there were 71 such villages in the city proper of Nanjing (within the first ring, see Prefectural Government of Nanjing 2005). The living condition in these villages is often precarious, but they have the advantage of being cheap and close to job opportunities, and thus became popular housing options for migrant workers who are not registered in the city.[74] Rent is an important alternative income source for local villagers after losing their farmland. That being said, in general the policy approach of the local government towards them is slum clearance -- that is, to demolish the village (after compensating the native villagers) for urban development (Nanjing Daily 2008, Prefectural Government of Nanjing 2012).

It should be noted that migrant workers formed a particular group in the low-income urban working class regarding housing access. The population without the registration in Nanjing has stabilized around 1.7 million in the 2010s, or one fifth of the city's total population. According to an official survey (Nanjing Almanac 2015), in 2014, 65.8% of the migrant workers live in private rental housing (often found in [sublet] social housing dwellings, urban villages or unauthorized commercial housing projects), and 23.4% lived in the dormitories provided by their employees. Other surveys show similar results (Zhu 2009, Hu et al. 2011). The average lower socioeconomic status among migrant workers

[74] For example, the three urban villages in Hongshan Sub-district, Xuanwu District combined to have 15,709 rental rooms in 2008 and housed 25,371 tenants who were not registered in the city (2.8 times the local villagers). These villages, despite their condition, were close to both the Nanjing Railway Station and 10 large factories located in the Sub-district (Li 2008). Similarly, in Jiangdong Village, Gulou District, by the beginning of the 2000, tenants unregistered in the city were 5 times the local villagers (Zhang et al. 2014).

has produced a barrier for them to become homeowners in Nanjing.[75] Urban redevelopment and the demolition of the "urban villages" has reduced cheap rental options close to job opportunities for this group. As unregistered city dwellers, they were excluded from the social housing projects, although in recent years the prefectural government has made modest initial attempts to extend public rental housing to this group.

4.2. Social Housing Development in Nanjing: 1998-2015

This section offers a comprehensive overview of social housing development in Nanjing. I will document in detail the typology, planning, finance, construction and allocation of social housing in the city. I will also discuss how the local authorities' attitudes toward social housing changed from 1998 and 2015. As the reader will find, local authorities have played a key role in promoting social housing development.

4.2.1. Three Phases of Social Housing Development in Nanjing

The social housing development in Nanjing since 1998 has gone through three phases (1998-2001; 2002-2009; 2010-2015).[76] In the first period, the prefectural government proposed a social housing development plan according to the national policy guideline, but did not implement it. As mentioned in Chapter 2, when the central government ended work units' role as housing provider for their employees in 1998, it also

[75] In 2014, 67.9% of the migrant workers in Nanjing work in the commercial and service sector. On average, they work 6.32 days a week and 9.32 hours per day, but their monthly salary is only 3,000 Yuan, while the city's per capita monthly disposable income was 3,547 Yuan in that year. Only 8.6% of them are affiliated to the housing provident fund (Nanjing Almanac 2015)

[76] In the 1990s, the prefectural government also launched a campaign to housing provision for the city's registered residents who lived in severe housing deficit. This campaign was the precedence of the social housing development in Nanjing since 2000s. What differed this campaign from the previous socialist housing system is that the dwellings are commodity dwellings, not public rental housing.

proposed a housing system that was formed by economic housing and commercial housing. At the time, only 5% of the households in Nanjing were classified as high-income, which means that 95% of the households would be eligible for economic housing (Xinhua Daily 2000). Not only was the prefectural government not capable of leading housing construction of this scale, developers of commercial housing strongly opposed this policy. Dozens of developers in Nanjing signed a collective petition letter demanding the prefectural government to cancel economic housing projects (China Information News 2000). Between 1998 and 2001, the prefectural government of Nanjing prioritized commercial housing development and the privatization of former public rental housing. The head of the city's housing authorities even publicly denied the necessity of the existence of economic housing (Yangtse Evening Post 2000). In other words, though it was not until 2003 when the central government announced commercial housing as the main component of the housing system and reduced economic housing to a role of social assistance, the prefectural government of Nanjing had already done so.

In the second phase (2002-2009), local authorities in Nanjing changed its previous rejection towards social housing. Both the prefectural government and the district governments played a more active role in social housing development (also see Illustration 4.4). Since then most of the economic housing dwellings were used to accommodate low-income households whose homes were demolished in urban development projects. Again, this was a policy "innovation" by the local authorities (will be discussed in detail in the next section). Though social housing production increased rapidly, most of the projects were constructed in a hasty manner to meet the demand for accommodating the relocated families. Some early developments did not even fulfill paperwork requisites before they were sold to relocated families, which created tremendous obstacles for dwellers to later obtain proper titles (interview with district housing authorities conducted by the author). From 2003 to 2009, 121,799 units of social housing were constructed (17,340 units per year, see Table 4.2).

Illustration 4.4. A Social Housing Project Built in Mid-2000s (photo taken by the author; the person that appeared in the right corner in this image is Dr. Peter M. Ward, who at the time was visiting some of my social housing field sites in Nanjing).

After the 2008 Global Financial Crisis, in order to stimulate the economy, the central government launched a nationwide social housing development campaign. The prefectural government of Nanjing further expanded the social housing production (201,060 units of social housing dwellings were constructed from 2010 to 2015, or 33,510 units per year, see Table 4.2); to the degree that, from 2010 to 2014, over 30% of the housing production (in floor area) was social housing production (Figure 4.2).

In this period the prefectural government reinforced its control in social housing development,[77] and established a public-sector developer/ financing platform named Anju Construction Group. The core task of the Anju Group was to attract and manage investments to finance social housing development, which has largely reduced the

[77] According to the prefectural housing authorities, district governments had been weak in leading housing construction and their social housing projects were notorious for their bad quality and legal irregularities (interview conducted by the author).

dependence on fiscal resources. Between 2010 and 2013, the prefectural government developed four mega social housing projects (namely Huagang, Shangfang, Daishan and Maigaoqiao, also see Illustration 4.5) that combined to provide 82,800 dwellings, though other smaller social housing projects were developed by the prefectural and district governments. Though the majority of social housing dwellings were still reserved for relocation households, the prefectural government also extended the target population to other groups, including other low-income families with housing deficit, migrant workers and young professionals. The proportion of public rental housing in the social housing stock increased.

Table 4.2: Social Housing Production in Nanjing: 2003-2015

Year	Social Housing Dwellings Constructed Each Year
2003	12284
2004	18858
2005	12209
2006	14545
2007	17541
2008	19632
2009	26730
2010	32967
2011	26473
2012	24905
2013	60408
2014	27391
2015	28916
Total	322859

(Source: Nanjing Almanac 2004-2016; Nanjing Real Estate Yearbook 2004-2016)

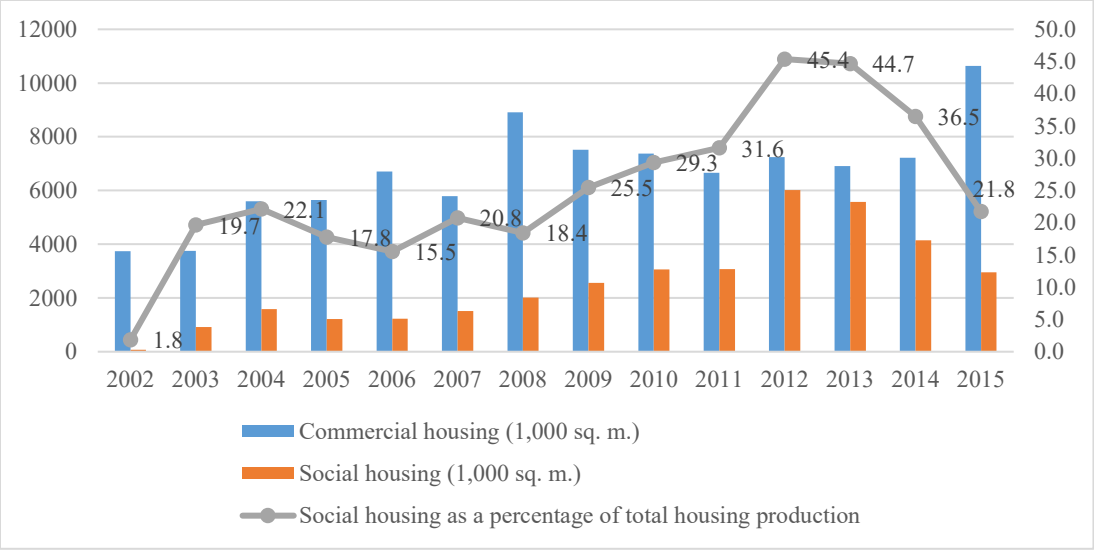

Figure 4.2: Housing Production in Nanjing: 2002-2015

(Source: Nanjing Almanac 2003-2016; Nanjing Real Estate Yearbook 2003-2016)

Illustration 4.5. Social Housing Project Maigaoqiao, Nanjing (one of the four mega social housing projects developed in the 2010s; photo taken by the author)

4.2.2. Planning, Land Acquisition and Construction

The prefectural government makes annual social housing development plans. The Anju Group is in charge of financing the projects and contracting constructors.[78] Between 2002 and 2009 most of the constructors were locally-based, small-scale developers. For the four mega social housing projects, the Anju Group contracted large developers that operated at national scale, such as Vanke. They saw social housing as an alternative investment opportunity, although the profit margin of social housing is established to no more than 3%, compared to 10% for commercial housing projects. Yet since social housing is a government project, it involves less uncertainty and risk and higher capital turnover ratio, especially when the real estate economy is in downturn (National Business Daily 2010). For another large developer listed on the stock market in charge of the construction of Huagang Social Housing Project, Nanjing Chixia, social housing even became its main business and overweighed its commercial housing developments (National Business Daily 2013).[79] More importantly, through social housing construction large developers not locally based can develop good relationship with the local government, which can facilitate their future expansion in the city's real estate market.

The government allocates land for social housing development. From 2003 to 2009 the prefectural government allocated 2,563 hectares of land for social housing projects (Nanjing Almanac 2003, 2006, 2008, 2009, 2010, calculated by the author) (Nanjing Real Estate Yearbook 2011: 172). Land allocation for social housing development implies an opportunity cost for the city government. Unlike commercial housing the government

[78] Recently, the prefectural government has also sought to diversify the mode of social housing production. In 2017, the prefectural government formulated a policy to make developers to build social housing in future commercial housing projects. Specifically, in the public auctions through which the government leases out land-use rights to developers, a price ceiling will be established. After the ceiling is reached, developers will compete with each other with the amount of social housing they promise to build in the future commercial housing project (Nanjing Housing Security and Real Estate Management Bureau 2017).

[79] In 2011, 70% of the revenues of the developer Nanjing Chixia came from social housing projects; at the end of 2012, 60% of the floor area under construction was in social housing projects (National Business Daily 2013).

cannot charge land-use rights fees for social housing projects. Also, local government tends to locate social housing projects to where it is less costly to expropriate the land.[80] These concerns lead the city government to allocate the least desirable land for social housing development, usually in the periphery or close to industrial projects (See Figure 4.3).

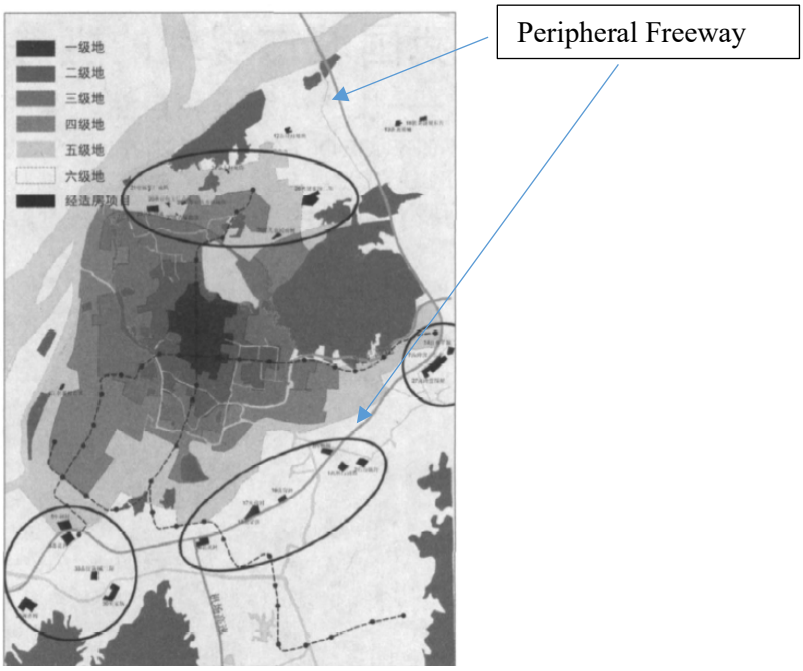

Figure 4.3. Land Allocation for Social Housing Projects in Nanjing: 2002-2010

(Source: Wang et al. 2010. Note: Circled are the main locations of social housing projects in Nanjing)

4.2.3. Financing Social Housing Development

Financing social housing has been an enormous challenge for the housing authorities. Between 2002 and 2009, the 65 social housing projects required an investment

[80] To build the four mega-social housing projects, the prefectural government demolished 4,003 residential dwellings and 175 factories (1.35 million sq. m. in floor area). The compensation cost the prefectural government 6.56 billion Yuan (Nanjing Auditing Bureau 2014), which was 17.6% of the total investment of the projects.

of 43.3 billion Yuan[81] -- while the budgetary fiscal revenues of the prefectural government in the same period was only 218.2 billion Yuan. The four mega social housing projects constructed between 2010 and 2013 alone required an investment of 37.3 billion Yuan, while the budgetary fiscal revenues of the prefectural government in these four years was only 217.8 billion Yuan (Nanjing Statistical Yearbook 2003, 2010, 2015; Nanjing Bureau of Audits 2012). Apparently, the prefectural government has to diversify and widen the sources of investment to undertake social housing development of such scale.

If we examine the circuit of investment, it is relatively easier for the government to recover investment from economic housing than from public rental housing, because the "beneficiaries" buy these properties, even if the profit margin is narrow.[82] For this reason, the prefectural authorities have favored economic housing to public rental housing, as in many other cities of the country. In general, the construction of public rental housing and economic housing are financed separately: the former is mainly financed by fiscal resources, and the latter can attract investments of a variety of sources (the author's interview with the prefectural housing authorities). That said, economic housing projects also require large initial investments.

The report from the Prefectural Bureau of Audits in 2012 shows that fiscal resources were only a minor part of the funding for social housing projects. Figure 4.4 and 4.5 show that social housing projects mainly rely on finances from the financial institutions (e.g. bank loans), project capital introduced by developers, and the sale of already-built housing dwellings (i.e. recovering the initial investment).

[81] Approximately US$ 6.4 Billion (in 2010 US$). From 2010 to 2016, the exchange rate of Yuan fluctuated between 1 US$= 6.14 Yuan and 1 US$= 6.77 Yuan. See *China Statistical Yearbook 2017*, Table 18-8.

[82] The majority of these social housing buyers are low-income relocated families whose home is demolished for urban development projects. These families "purchase" social housing with the monetary compensation for the relocation. Usually, the monetary compensation will be funded by the developer who obtain the land leases. This circuit means that a large part of the costs of social housing construction is transferred back to the new land user.

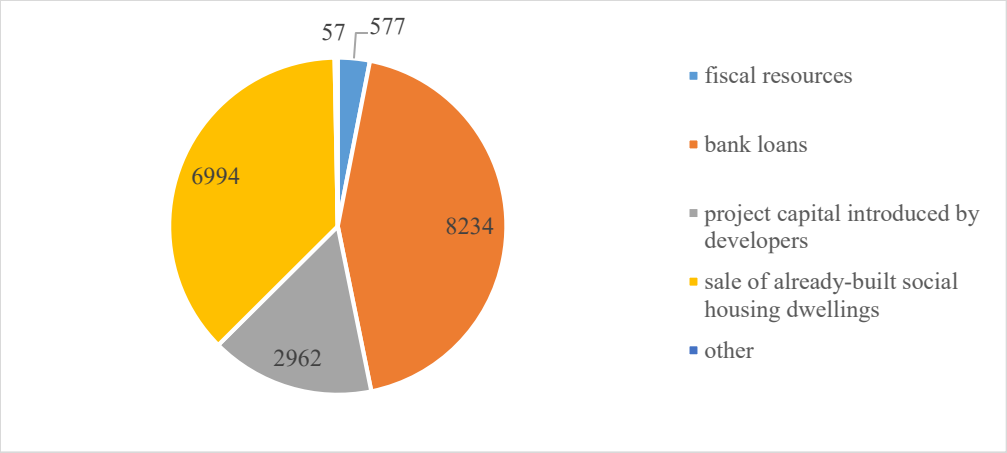

Figure 4.4: Funding sources for social housing development in Nanjing, 2002-2009 (32 of the 65 projects, in million Yuan)

(Source: Nanjing Bureau of Audits 2011)

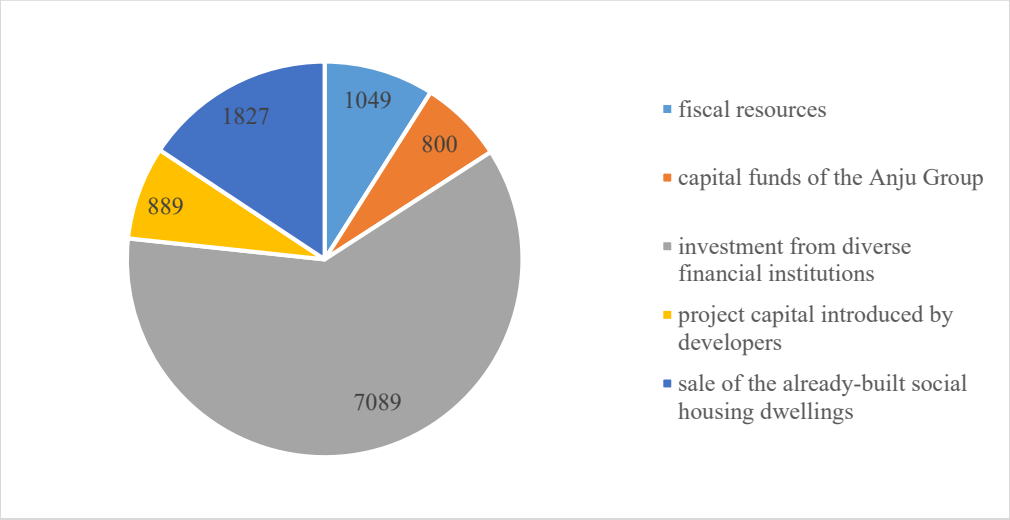

Figure 4.5: Funding sources for social housing development in Nanjing, 2010-2012 (4 mega social housing projects, in million Yuan)

(Source: Nanjing Bureau of Audits 2011)

Developers of the four mega social projects are required to bring up to 35% of the project capital to initiate the construction (Huatai Securities 2011). The period between 2010 and 2015 witnessed a diversification of the funding sources for social housing development in Nanjing. The central and the provincial governments increased their

support to social housing development through transfer payments. The prefectural government and its investment platforms obtained loans from the national social security funds, the housing provident funds of the prefecture, and banks. The Anju Group has played a critical role in diversifying and managing the funding sources for the city's social housing production. As a state enterprise owned by the prefectural government, it is now listed in the stock market and issues its own enterprise bonds.[83] Finally, the sale of the already-built social housing and the commercial facilities in these projects can recover part of the investment. It is also expected that, as social housing development will bring infrastructure to vacant peripheral land and thus can raise the land value, it can attract commercial real estate projects nearby, and thus generate revenues from land leases (CEBM Group 2011).

4.2.4. Allocation of Social Housing

The typology of social housing in Nanjing has changed in various occasions. Yet, in general, it can be divided into two broad categories based on its ownership: public rental housing, [84]and economic housing. For economic housing the ownership in general is shared by the government and the dweller, and can be resold in the market but under certain restrictions. For social housing, the price for sale or rent are established by the government.

The Directorate of Housing Reform under the prefectural housing authorities[85] is in charge of social housing allocation, though the applications have to be reviewed by three levels of government (sub-district, district and prefectural). In this process, the name and

[83] In recent years, the Anju Group has also diversified its business to include commercial housing development, slum redevelopment, property management, land development and restoration of historic buildings. See the company's website: http://www.njajjt.com/industry.php

[84] This should not be confused with the public rental housing under the planned economy. The majority of the old public rental housing has been privatized during the housing reform of the 1990s. Particularly, bulk of the public rental housing under planned economy was run by work units, and the new public rental housing in the 2000s is run by local housing authorities.

[85] Its official name is "Nanjing Housing Security and Real Estate Management Bureau".

address of the applicants will be posted in the neighborhood and on local media to avoid fake information.

The prefectural government establishes rigorous criteria regarding the eligibility of each type of social housing under the general guideline of the government. Between 2003 and 2008 economic housing was restricted to families whose homes were demolished in the urbanization or urban redevelopment projects. Since 2009 other low-income urban registered residents with housing deficit were allowed to apply for economic housing. Yet, between 2009 and 2014 only 13% of the economic dwellings were allocated to this group (Table 4.4). The predominance of economic housing for relocation purposes is likely to continue in the short and medium term. Regarding public rental housing, originally it was supposed to target the lowest-income strata of the registered urban families. Since 2010, it has been extended to other groups such as migrant workers, recent university graduates and young professionals. Yet, compared to economic housing, it was largely marginalized in the social housing stock (Table 4.3).

Table 4.3: Allocation of Social Housing: Economic Housing and Public Rental Housing, 2005-2015 (units)

Year	Number of economic housing allocated	Number of public rental housing allocated
2005	12308	
2006	12270	75
2007	16681	74
2008	16562	424
2009	13074	1134
2010	18325	443
2011	20475	435
2012	13163	862
2013	27007	2614
2014	14627	1580

2015	19691	2819
Total	184183	10460

(Source: Nanjing Almanac 2006-2016, Nanjing Real Estate Yearbook 2006-2016)

Table 4.4: Allocation of Economic Housing by Type: 2009-2014

Year	Total number of economic housing allocated	Economic housing for relocated households from urban area	Economic housing for relocated households from rural area	Economic housing for other low-income households with housing deficit
2009	13074	8247	1520	3307
2010	18325	2978	15347	0
2011	20475	3140	14279	3056
2012	13163	1070	11198	895
2013	27007	1762	18858	6387
2014	14627	5194	8869	564
Total	106671	22391	70071	14209

(Source: Nanjing Almanac 2010-2015, Nanjing Real Estate Yearbook 2010-2015)

The expansion of the target population to certain degree reflects the changing agenda of the local authorities. While the city government always plays a central role in promoting urban development and the socio-spatial restructuring of the city, since 2009, it has somehow incorporated social welfare and human capital into its development agenda.

Social housing is much cheaper than regular commercial housing. As mentioned before, in contrast to commercial housing the government allocates land for free for social housing development. It is also exempt from various taxes and fees. It is strictly subject to the government's control, and often involves government subsidies. For example, in 2003, the price for the economic housing was established to 1,450-1,800 Yuan per sq. m.,[86] when the construction cost was 1,600-2,000 Yuan per sq. m., and the average price for

[86] Approximately 175 US$ - 217 US$ (in 2003 US$).

commercial housing in the city proper was 4,148 Yuan per sq. m. (Fdc.com 2005). In 2012, the price for the economic housing in the four mega social housing projects was 5,200 Yuan per sq. m. (and low-income population living with housing deficit will enjoy an extra discount of 15%, see Modern Express 2012), when the average price of commercial housing in that year had risen to 11,214 Yuan per sq. m. (Nanjing Almanac 2013).

In the case of the four mega social housing projects, homebuyers were required to make a down payment of 50% of the apartment price, and pay off the rest 50% within a year (Modern Express 2012). Since most homebuyers of economic housing were from the relocated households in urbanization or urban redevelopment projects, they could buy social housing with the monetary compensation from the relocation. However, other low-income buyers of economic housing encountered enormous difficulty in contracting home mortgage from financial institutions. Very few of them were affiliated to the housing provident fund. Commercial banks were in general reluctant to grant mortgages for homebuyers of social housing, mainly due to the low income level of the homebuyer, the shared ownership and the restrictions on the resale of the property. Though the prefectural government negotiated with some commercial banks, most of the low-income homebuyers had to use their own savings (or borrow money from relatives and friends). In January 2012, among the 2,000 low-income households who were eligible to buy an apartment in the four mega social housing projects, 15% of them had to forgo the opportunity to buy economic housing (Nanjing Morning Post 2012, Xinhua Daily 2012).

Economic housing can be resold to the market under certain restrictions: it cannot be resold within 5 years after the acquisition; and the government can get a shared revenue from the transaction when it is resold. By 2015, 13,555 units of economic housing had been resold to the market, which generated a shared revenue of 390 million Yuan for the government (Nanjing Real Estate Yearbook 2016: 25).

4.3. The Intersections between Local Government, Land, and Social Housing

Social housing development generates an enormous financial and administrative burden for the local government. It also implies a short-term opportunity cost, because social housing is exempt from land use fees and other taxes, which are important revenue sources for the prefectural government. Actually it is for these reasons that the prefectural government in Nanjing neglected social housing development between 1998 and 2002. Yet, a rapid expansion of social housing occurred in the city since 2002 and this section will ask: what factors motivated the prefectural government to change its position and to promote social housing?

Pressure from the upper-level government is one reason. For the social housing campaign during the Twelfth Five-Year Plan, the central government and the provincial governments signed contracts that established the amount of social housing dwellings should be constructed in each province. The provincial government then does the same with the prefectural governments. Local authorities are evaluated for whether they meet the goal of the amount of social housing dwellings and this may lead local government to manipulate or fake statistics or build a large amount of substandard dwellings, as has occurred in various cities (China Business News 2012, China Youth Daily 2015). However, in the case of Nanjing, social housing development is "real". This section shows that social housing development in Nanjing is deeply embedded in political (particularly central-local relationship) and land regime of the Chinese cities. Local authorities use social housing as a policy tool to promote its agenda, mainly promoting the spatial reorganization of the city and the capitalization of the urban land, as well as converting the urban land into a finance machine for urban development.

4.3.1. Central-Local Relationship in China: 1994-2015

This section shows how the central-local relationship in China motivates local authorities to actively promote urban development and seek finance for infrastructure

projects. China went through a wave of decentralization in the 1980s. The current fiscal system in China was established in 1994 and under this regime, the tax is classified into three categories: central-government tax, local-government tax, and tax shared by the central and the local government. Tax collection was recentralized to become a function of the central government and thus independent from the local governments' intervention. The 1994 tax reform largely fulfilled the central government's role of reinforcing its control over the macro-economy by securing its share in tax revenues and through the system of transfer payment (Zhang 2009b).

Meanwhile, the division of the expenditure responsibilities among the central and the subnational governments remained largely untouched. Subnational governments had to face a significant gap between their revenues and expenditures (Kong and Zhang 2013). Figure 4.6 shows that from 1995 to 2015 subnational governments received about 45%-55% of the total fiscal revenues, but also they have to assume around 65%-86% of the total fiscal expenditures. In comparison, among OECD countries, in 2015 only subnational governments in Canada (76.2%), Switzerland (61.6%) and Denmark (63.7%) contributed over 60% of the total fiscal expenditures. Yet, their share in total fiscal revenues was 74.1%, 60.5% and 65.7%, respectively. Thus subnational governments in these countries do not see the enormous revenue-expenditure imbalance as their counterparts in China (OECD 2018).

Typically, in countries with a decentralized fiscal system, the central government assumes more expenditure responsibility than local governments in income redistribution and social assistance (Peterson 1995). In China, however, local governments are required to assume both the developmentalist and the redistributive functions (Kong and Zhang 2013). For example, a national unified social security, health insurance or housing provident fund (as in the Mexican case) never existed in China; instead, the prefectural (or even county) governments have to run their own social security and housing provident funds.

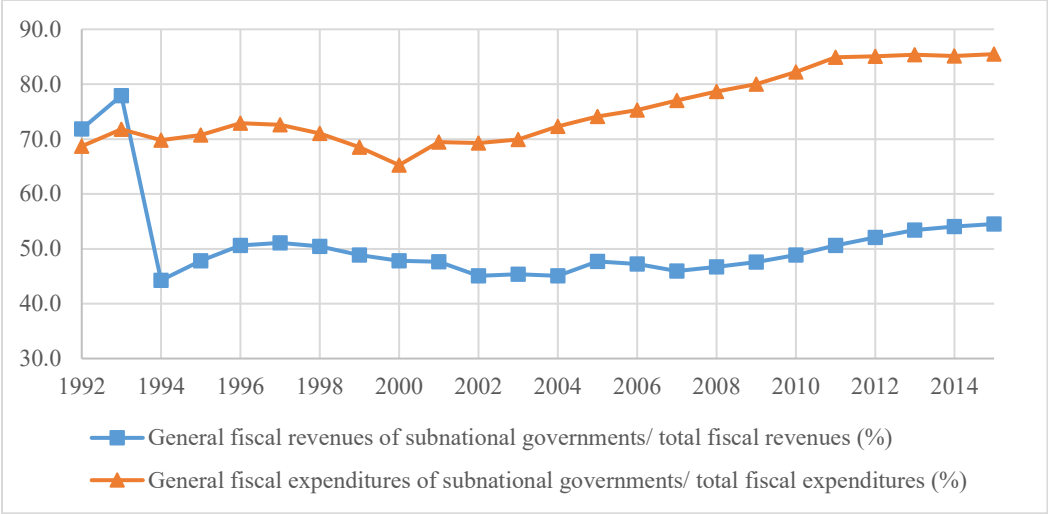

Figure 4.6: Fiscal Situation of the Subnational Governments: 1992-2015

(Source: China Statistical Yearbook 2016: Table 7.1)

Moreover, when the central government launches social or economic development plans it often asks the subnational governments to contribute to the finance of the projects accordingly. Take the social housing campaign in the Twelfth Five-Year Plan (2011-2015) as an example (Table 4.5), among the total investment of 8,357 billion Yuan, the fiscal resources of the central government only assumed only contributed 12.6% (in the form of specific-purpose transfer payment). The subnational governments not only had to contribute 21.7% of the total investment with their fiscal resources, but also had to manage to find finances from diverse non-fiscal sources for the social housing projects.

Table 4.5: Investment to social housing development by origin in China: nationwide, 2012-2016 (billion Yuan)

Year	Investment from fiscal resources of the central government	Investment from fiscal resources of subnational governments	Investment "from the society" (bank loans, enterprise bonds etc.)
2012	186.2	226.7	466.8
2013	174.9	297.4	564.7
2014	198.4	361.8	1063.2

2015	254.5	408.8	1372.5
2016	237.7	517.2	2026.5
Total	1051.7	1811.9	5493.7

(Source: National Audit Office of China 2013-2017)

Not surprisingly, between 2000 and 2015 around 38%-47% of the subnational governments' general fiscal expenditure responsibilities in China cannot be fulfilled by their general fiscal revenues alone, and subnational governments have become increasingly dependent on the transfer payments from the central government. In Nanjing, however, as the city is in a better economic condition, the gap between the general fiscal revenues retained in the city and the fiscal expenditure responsibilities was much less than the national average. In general that gap in Nanjing was smaller than 5% of the expenditure responsibilities since 2007 (Nanjing Statistical Yearbook 2006-2016; Nanjing Bureau of the Treasury 2005-2015)

The 1994 tax reform profoundly changed these central-local relations, and generated specific structural constraints and incentives for local authorities. Table 4.6 summarizes the current tax classification. As business tax is a local-government tax, which is mainly levied on the service (including the real estate sector) and the construction sectors, local authorities have strong incentives to develop the real estate sector. Business tax surpassed value-added tax to become the most important tax revenues for local governments in the 2000s. That said, local governments still promote industrial expansion, given that this sector can generate long-term tax revenues (even though the central government takes away 75% of the value-added taxes). More importantly, local authorities expect that industrialization can further boost urban development. In order to attract investment in a context of increasing fluidity of capital, local authorities compete with each other by offering preferential tax treatment, cheap land and better infrastructure.

Table 4.6: Classification of Major Tax after the 1994 Tax Reform in China	
Central-government tax	• Consumption tax • Tariff
Local- government tax	• Business tax • Urban maintenance and construction tax
Tax shared by the central and the local government	• Value-added tax (75% for the central government and 25% for the local government) • Enterprise and individual income tax (60% for the central government and 40% for the local government)

(Source: Zhou 2012: 53)

Upper-level authorities hold strong control over the political career of lower-level officials. Unlike in a democracy, heads of local governments are not elected in popular elections. Rather they are chosen by upper-level governments and then approved by the local legislature. Subnational authorities are evaluated by upper-level governments for their performance in various issues, including GDP growth, the amount of investment they bring to their jurisdiction, social stability, etc. Various authors have pointed out the associations between the bureaucratic system and the developmentalist character of the local authorities in China (Lin 2007, Zhou 2007, Landry et al. 2017). As local leaders were not elected from below, local authorities seem to be not committed to respond to local social demands, except when the popular discontent causes widely-reported scandals or collective actions. In general, after the 1994 tax reform, though the local governments are required to be responsible for both redistributive and developmentalist expenditures, their expenditure structure strongly favors infrastructure development and biases against education and public health (Sun and Pan 2009, Chen 2010).[87]

[87] Also, local governments had little incentives to extend its service and social programs to unregistered urban dwellers (such as migrant workers). Thus, household registration, once used as

However, it remains as an enormous challenge how to fund the developmentalist expenditures given that the subnational governments do not have taxation power (Zhu 2013), and until 2009 they were not authorized to issue municipal bonds. To finance infrastructure projects (such as industrial parks, metros etc.), local governments usually rely on off-budget revenues/ government-managed funds (explained below), program-specific transfer payment from upper level governments, bank loans or diverse forms of debts (Wang et al. 2016).

Since the 1994 tax reform local governments also eagerly seek to expand off-budgetary revenues, as local governments enjoy considerable autonomy over its use. However, the central government made serious attempts to regularize off-budgetary revenues, and in 2011 these were reclassified as government-managed funds and incorporated into the budget. That said, local governments still essentially operate on two separate budgets (Zheng 2012): a general budget for their regular operation and public expenditures (education, healthcare, community affairs, poverty relief etc.), and a "developmentalist budget" for large infrastructure projects, which mainly consists of government-managed funds (Kong and Zhang 2013).[88] In recent years, the two budgets in Nanjing are almost of the same size (Table 4.7).

mechanism to restrict internal migration, remains as a useful tool for local government to deliver social assistance and social program only to those who are "registered".

[88] Leases of the land-use rights is a major source of government-managed funds for local governments (Chen and Gao 2012), which will be explained later in this section.

Table 4.7: The "Two Budgets" in Nanjing: General Fiscal Budget and Government-Managed Funds (Billion Yuan)				
	General fiscal revenues retained in the Prefecture	General fiscal expenditures	Revenues from government-managed funds (previously off-budgetary revenues)	Expenditures from government-managed funds (previously off-budgetary revenues)
2014	90.3	92.1	95.7	92.8
2015	102.0	104.6	89.3	88.0

(Source: Nanjing Bureau of the Treasury 2014, 2015)

Another key approach for local government to finance infrastructure development is through debt. By June 2013 the total volume of the outstanding subnational government debt was 17,891 billion Yuan (National Audit Office of China 2013), which was about 30% of the county's GDP in that year, and 2.59 times of the general fiscal budget retained by the subnational government.[89] Note that outstanding gross subnational government debt accounted for 23.9% of GDP among the OECD countries by the end of 2014, and interestingly the subnational debt-GDP ratio was 31% in federalist countries and 15% in the unitary countries (OECD 2016). China, as a politically-unitary country has a subnational debt-GDP ratio much closer to the federal countries. Subnational government debt in China is highly oriented towards urban and infrastructure development: over 70% of the outstanding gross subnational government debt by June 2013 was for urban and transportation infrastructure development, land reserve and social housing development (National Audit Office of China 2013). In the Prefecture of Nanjing, about 300 billion Yuan was invested for urban infrastructure between 2001 and 2010, and only 30% of the investment came from fiscal resources, and the rest has to rely on different forms of finance or debts (Cai 2011).

Although local governments in China were not authorized to issue bonds until 2009, they often bypassed the ban by setting up public-sector companies that served as financing

[89] It is reduced to 1.1 times when transfer payment from the central government and subnational government-managed funds are added (National Bureau of Statistics of China, calculated by the author).

platforms to contract bank loans, or attract investment from the market (Xu and Qin 2014). State assets, such as future revenues from the infrastructure or local governments' land reserve, are often used as collateral. In general, these financing platforms are backed up by government. For example, for the Nanjing Anju Group, after the dwellings in the four mega social housing projects were sold out, the prefectural government was responsible to cover the gap between the investment and the revenues from the sale. Moreover, the prefectural government also transferred part of its land reserve (885 thousand sq. m., with an estimated value of 9.6 billion Yuan -- that is, 10% of the general fiscal revenues of the prefecture in 2014) to the Anju Group to become the company's asset -- the company could lease out the land-use rights to increase its cash flow when it became necessary for the debt repayment. For this reason, although it takes a long time to recover investment for social housing projects (and the profit margin is much smaller than regular commercial housing), and the debt-asset ratio as well as the capital expenditures have been high, the Anju Group improved its rating from AA+ to AAA in 2015, and thus was in a favorable position to issue more enterprise bonds (CCXR 2016, Jiangsu Provincial Government 2016).

The rapid increase of subnational government debt in China (19% annually [National Audit Office of China 2013]) raised an alert among policy makers and the public. The Prefecture of Nanjing does not publish its debt volume regularly. However, the scattered information available suggests that the prefectural government is heavily indebted. In 2014 it was estimated that the total volume of outstanding government debt of the Prefecture was 407.3 billion Yuan (among this 112.2 billion was the debt of the financing platforms, see Liang and Wang 2014, calculated by the author); that is, 46.2% of the Prefecture's GDP and 2.2 times of the Prefecture's fiscal revenues of that year (including both the general fiscal revenues and the government-managed funds, calculated by the author) -- much higher than the national average. In January 2014 the new mayor of Nanjing cut the proposed new investment in urban infrastructure for the year from 75.5 billion Yuan to 65.2 billion Yuan, in order to decelerate the expansion of the government debt (China Business News 2014).

Although the Central Government and some international financial institutions view the risk of the subnational government debt in the country as controllable, the current model is still exposed to systemic financial risks. There is a lack of transparency and adequate regulatory framework that supervises the subnational government debt. Though many financing platforms do not generate satisfactory economic returns, as they are guaranteed by government, it is still relatively easy for them to obtain loans from financial institutions. This not only squeezes out finances for the private enterprises in the real economy (Zheng 2012), but also creates soft budget constraints.[90] As the next section will show, local authorities in China expect to achieve a virtuous feedback loop: to use debt to finance urban infrastructures -- to raise the land values -- to obtain more revenues from leases of land use rights – and to finance more urban infrastructure. However, when these projects fail to generate satisfactory level of revenues, or when the land market falls into recession, the local government will be likely to face a fiscal crisis.

4.3.2. Land as the Key Resource for Local Governments

This section, through the case study of Nanjing, will review how urban land in China became increasingly capitalized under the tight control of the local government, and how local authorities converted land into a finance machine for urban development.

Since 1978 the rural land in China remains under collective and communal ownership, but the land-use right is subcontracted to households for usually a term of 30 years (Lin et al. 1999). In the urban area, the 1982 Constitution (also the current one) and the Land Administration Law abolished the urban private land and dictate that all urban land is public. Housing development by any third party on rural communal land is forbidden. The only legal approach of incorporating rural land to the urban area is through

[90] In Socialist and transitional economies, state enterprises were not allowed to fall into bankruptcy, and even when they underwent chronic losses, they could always be bailed out with financial subsidies or other instruments (Kornai et al. 2003).

the expropriation by local government: the government expropriates rural communal land after compensating the community; then converts it to public land and incorporates it to the land reserve of local government. In the city, since urban land is of public ownership, the government is entitled to reclaim it "for public interest" according to its urban development plan, though it is also required to compensate to those whose dwellings would be demolished. This arrangement ensures that the government has the monopoly in the primary land market for urban development; in other words, the land supply for urbanization.[91]

Prior to the 1980s, under the planned economy, urban land in China was de-commodified. Government allocated land to public entities (e.g. state enterprises, universities etc.) by administrative orders and with little concern of the exchange value of the land (Ding 2003). The idea of rent differential was rejected as it was against the socialist ideology, and the city government of Nanjing obtained little revenues from the usage of urban land (History of Real Estate Development in Nanjing: 120).

The 1988 Land Administration Law allowed the government to lease out the use right of the urban land for a determined period of time,[92] through negotiation or public auctions. Under the new urban land regime, the prefectural government of Nanjing conducted an evaluation of land values in 1989. The urban area was divided into seven zones according to their location and aptitude, and different cadastral values were assigned to each zone (History of Real Estate Development in Nanjing: 128). This marked the beginning of the commodification of land-use rights in the city.

From the promulgation of the 1988 Land Law, local governments in China, as the sole supplier of land for urban and housing development, increasingly used urban land as a development and finance machine. From 1992 to 1999, the government in Nanjing leased

[91] Land users can also transfer the land-use rights to third party. In other words, the state monopoly is in the primary land market, not the secondary land market.

[92] It is often a one-time payment in exchange for the land-use rights for certain amount of time: usually 70 years for land of residential use, 50 years for land of industrial, educational, cultural or public health use, and 40 years for land of commercial and recreational use (MNR 2006).

out the use rights of 1,072 pieces of land (221 cases for the nascent real estate sector; see History of the City of Nanjing, Vol. 1, Chapter 3, calculated by the author). While in 1988, the government only received 830,000 Yuan as land use fees (History of Real Estate Development in Nanjing: 120), in 1999, the government received 899 million Yuan from land leases alone (History of the City of Nanjing, Vol. 1, Chapter 3). Between 1993 and 1999, as the prefectural government did not have sufficient funding to finance infrastructure projects, it offered free land-use rights to developers in exchange for their undertaking of the infrastructure projects (ibid.).

The 2000s witnessed an intensification of the capitalization of urban land-use rights and the consolidation of institutional framework of the land market. The goals of the central government consists of the following: to maximize the fiscal revenues from the land leases, to improve the efficiency of land use, to crash corruption in land transactions, to maintain a minimum amount of the farmland for food security, and to reduce social conflicts that emerge from land expropriations. To do so, the central government recentralized the land governance and sent inspectors to supervise land transactions. In general, the design of the institutional framework was to reinforce the government's monopoly in the primary land market. In 2003, the central government established that in the primary land market, regarding for-profit land uses (commercial, residential, or industrial), the land-use rights had to be granted through public auctions instead of negotiations. Local governments also established "land reserve institutes" to manage land expropriations and transactions (He 2012, Li 2010). There is a quota imposed by the central government on the amount of farmland that can be converted into urban land, and the quota is first assigned to provincial governments and then to local governments.

Since 2000s local governments in China became increasingly dependent on revenues from the land leases. Between 2008 and 2015, for the country's subnational governments, the revenues from land leases was in general 36% to 69% of the general fiscal revenues (Ministry of Finance of China; note that revenues from land leases are classified as government-managed funds, and thus are not part of the general fiscal revenues). Note that in Nanjing, this ratio is greater than the national average, and in several

years (2003, 2007, 2010, 2013), revenues from leasing out land was even greater than the general fiscal revenues (Table 4.8). Revenues from the land leases help local governments to serve their debts: in 2013, these contributed over 37% of the subnational debt repayment (National Audit Office of China 2013). Moreover, land reserves of the local governments, as a government asset, often serves as collateral with which local governments (or the financing platforms backed up by local government) apply for bank loans or attract investment from the financial market to finance infrastructure projects. These factors motivate local authorities in China to show great interest in land values. Actually, they often engage in speculation in the land market by manipulating land supply (for example, by deliberately reducing land supply, see Zheng and Shi 2011).

Table 4.8: Leases of Land-Use Rights in the Prefecture of Nanjing: 2001-2014

Year	Area of land leased out by government (hectares)	Area of land leased out by government in public auctions (hectares)	Revenues from leases of land-use rights(billion Yuan)	General fiscal revenues retained in the prefecture (billion Yuan)	Leases of land use right-subnational general fiscal revenues ratio
2001	716	33	0.7	11.3	0.06
2002	2318	768	8.5	14.4	0.59
2003	3830	2205	22.3	19.2	1.16
2004	2202	462	0.9	23.8	0.04
2005	2680	774	13.2	21.1	0.63
2006	5202	756	20.4	24.6	0.83
2007	4566	1361	44.2	33	1.34
2008	1915	432	17.2	38.7	0.44
2009	3232	389	29.4	43.5	0.68
2010	3644	682	64.2	51.9	1.24
2011	3972	719	43.6	63.5	0.69
2012	4770	663	46.3	73.3	0.63
2013	3807	1782	86.2	83.1	1.04
2014	3530	1682	81.1	90.3	0.9

(Source: Nanjing Almanac 2002-2015)

Local governments have to calculate carefully how they operate their land business. First, as mentioned earlier, the land supply of each year for urbanization is not unlimited but subject to a quota. Second, local governments have to make trade-off among land allocation for different uses. Usually, they can obtain larger revenues from leasing out the land-use rights for commercial projects (commercial housing, shopping malls, etc.), but such revenues are a one-time thing (since in China there is no property tax for homeowners). Meanwhile, industrial development can generate long-term tax revenues, and can further boost urban development by attracting investment and population. However, as industrial investment is characterized by its fluidity, local governments often have to compete with each other with infrastructure (such as industrial parks) and preferential land policies to attract industrial investors.

That being said, the sustainability of this system is questionable: first, land supply for urban expansion is not unlimited. Second, the prosperity of the land market is highly related to the general economic condition. This partly explains the formation of many "ghost towns" in third- or fourth tier cities in the country: these cities may have gone through a period of prosperity in certain economic sector (for example, the mining sector) and the local governments intend to take advantage of the prosperity to develop the real estate economy. However, when the prosperity ends, a lot of the commercial housing projects remain unsold. Even in Nanjing, for example, the fluctuation of the revenues from land leases were much greater compared to that of the local general fiscal revenues (Figure 4.7). The low predictability of the primary land market can cause uncertainty for local governments' development and investment plans.

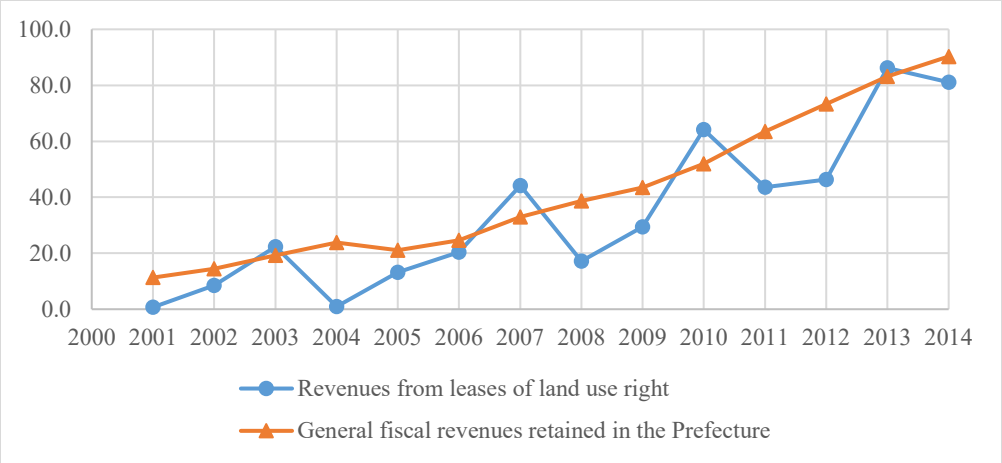

Figure 4.7: Revenues from Leases of Land-Use Rights and General Fiscal Revenues Retained in the Prefecture of Nanjing: 2001-2014 (in billion Yuan)

(Source: Nanjing Almanac 2002-2015)

Finally, as will be discussed in the next section and in Chapter 6, the urban land finance machine is established on the exploitation of the households from the relocated neighborhood and rural communities. The social conflicts that emerge from land expropriations largely delegitimize the current model of the urban land market.

4.3.3. Social Housing: A Tool for Spatial Reorganization

The urban built-up area in Nanjing expanded significantly: while between 1950 and 1990, on average each year 312 hectares of rural land was converted into urban land (History of Real Estate Development in Nanjing: 139-142), this figure was 3,513 hectares each year for the period 2002-2014. Urban development and redevelopment implies a spatial reorganization of the city and its rural hinterland, which usually causes displacement of households and communities (see Illustration 4.6). This section focuses on how the local government in Nanjing organizes the massive relocations and displacement and responds to its social consequences.

While local government in China is the only agent that can expropriate land, it is also responsible for accommodating the relocated households, either by directly building new dwellings or offering monetary compensations. However, as the urban redevelopment and urban expansion increased its scale in the 1980s and 1990s, the government found it increasingly difficult to build sufficient amount of dwellings close to the demolished neighborhood to accommodate the affected households.[93] More importantly, the urban land (in land-use rights) became increasingly capitalized and commercialized since 1990s. The government had strong incentive to dedicate land in attractive locations to commercial real estate projects for profits, rather than building housing projects for households whose home was demolished.

The deficit of dwellings to accommodate the demolished neighborhoods increased to alarming levels in mid-1990s. In 1994, 48,734 families whose home were demolished in urban development had not been accommodated. They had to stay with their relatives or in other forms of temporary accommodation for a long period of time (Nanjing Almanac 1995), and this became a threat to political and social stability in the city. It was documented that between 1988 and 1990 at least 1,050 households in five of the nine districts of the city whose home was demolished and who were waiting for accommodation occupied new dwellings without authorization (Nanjing Almanac 1991). The Prefectural Government gradually lowered the standard of the dwellings for accommodating the relocated families through the 1990s. However, by 1998, there were still 19 thousand families waiting for accommodation (Nanjing Almanac 1999).

In 1999 the previous "in-kind" compensation policy was replaced with a monetary one (Nanjing Almanac 2000). Households of the demolished neighborhood would be given a monetary compensation based on the location and the size of the property. They were supposed to buy commodity housing on their own (since after 1998, work units no longer

[93] For example, during the Second Five-Year Plan (1958-1962), local authorities in Nanjing demolished about 4,200 dwellings per year. In contrast, between 1986 and 1999, on average, about 14 thousand dwellings were demolished each year (History of Real Estate Development in Nanjing: 145; Nanjing Almanac 1987-2000, calculated by the author)

assigned public rental housing for their employees). The ideas was to release the local government, and other public entities or developers from the responsibility of constructing homes to accommodate the demolished neighborhoods, as well as to stimulate the nascent market of the commodity housing.

Illustration 4.6. Demolitions of Old Neighborhoods in Nanjing (photo taken by the author)

Nevertheless, the compensation is based on the land and home value established by the government. As the relocated neighborhoods are often characterized as precarious and the demolished properties are often of small-size, the compensation is low and far from sufficient for these households to buy a decent dwelling in the city. In 2003, nearly half of the households whose homes were demolished received a compensation below 100,000 Yuan (Nanjing Almanac 2004: 83). Yet a regular new commercial housing of 60 sq. m. in that year would cost 182,000 Yuan.[94] When households refuse to be relocated, local authorities often employ force or extrajudicial means to evict them. In 2002, the Prefectural Government ordered that, for urban infrastructure projects, the authorities were allowed to demolish homes by force before conflicts over compensation had been solved (Nanjing Almanac 2003: 47). Forced expropriation has become one of the major sources of state-society confrontation in China since late 1990s. In Nanjing in 2003, Mr. Weng Biao, a homeowner from a neighborhood to be relocated set himself on fire after his negotiation with the government collapsed before the deadline for forced eviction. This tragedy was widely reported in the country (Xinmin Weekly 2003). The social discontent caused by this scandal forced local authorities to significantly reduce the cases of demolition and relocation in the following years (Nanjing Almanac 2004: 84). Figure 4.8 showed that the number of dwellings demolished fell from 24,200 in 2003 to 10,052 in 2004; it was not until 2009 that the scale of demolition surpassed the 2003 level.

[94] In 2003, the average price of new commercial dwelling in Nanjing was 3,035 Yuan per sq. m. (Nanjing Almanac 2004)

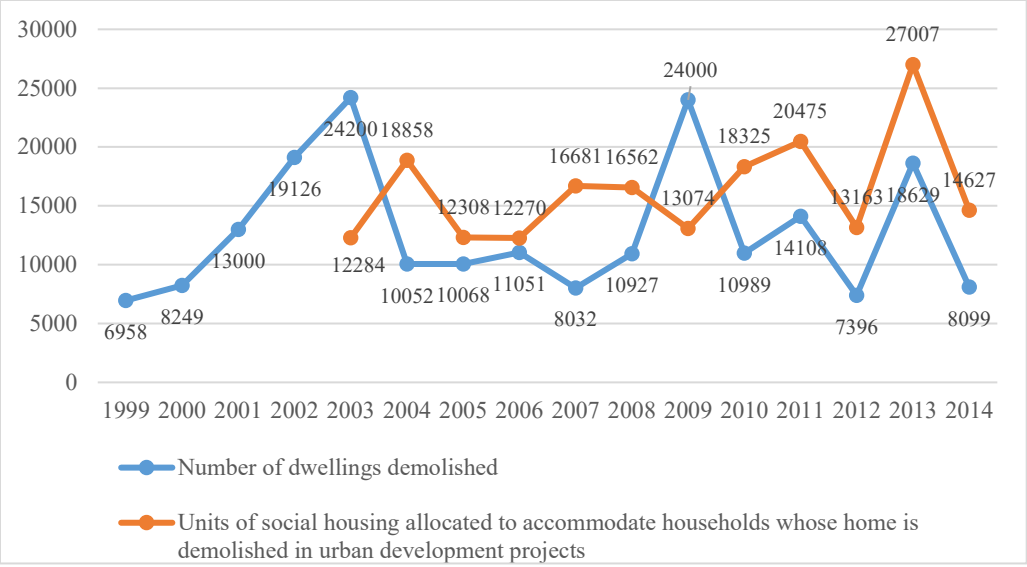

Figure 4.8: Number of Dwellings Demolished and Social Housing Dwellings allocated to accommodate relocated households: 1999-2014

(Source: Nanjing Almanac 2000-2015)

The Prefectural Government in Nanjing soon started to see social housing as a policy tool that can reduce confrontation and facilitate relocation. Though compensation was still based on the pre-relocation land and home value, displaced households can use the monetary compensation to purchase social housing dwellings at a highly subsidized price. From then on, although in theory, registered urban families with low-income and housing deficit would qualify for social housing, in practice "beneficiaries" of social housing are strictly restricted to relocated homeowners between 2003 and 2008. Then, between 2009 and 2014, 87% of the economic dwellings were allocated to relocated families (calculated from Table 4.4). Among the 64,300 economic housing for sale in the four mega social housing projects, 49,700 were for relocation purposes (CCXR 2017), and this policy is likely to last for a couple of more years. The housing development plan that the prefectural government made for the 13th Five-Year Plan (2016-2020) established that some 150,000 units of economic housing will be built, among which 140,000 units will be used to accommodate the relocated families (Prefectural Government of Nanjing 2017). Note that restricting social housing for relocation purposes was mainly an invention of the

prefectural Government of Nanjing, not the central government (for the latter social housing was defined as a form of social assistance).

Social housing does not eliminate the discontent among the relocated families, of course. Chapter 6 will discuss in more details how this mode of relocation represents various forms of dispossession for the relocated families.

4.4. Conclusions

In China, the central government and local governments have overlapping yet different agenda over social housing: for the central government, it was about stimulating investment and economic growth in time of adverse external economic condition (particularly following the 2008 Global Financial Crisis), as well as a form of social welfare to appease the widespread discontent against the deterioration of housing affordability. For many local governments, it was more a goal of overcoming a fiscal burden and lowering opportunity costs. Yet, the Prefectural Government of Nanjing uses social housing as a policy tool to promote its urban agenda.

This chapter shows that the central-local relationship in China creates a particular set of structural constraints and incentives that motivate local authorities to expand off-budgetary revenues, to promote urban development, and to favor developmentalist expenditures over social expenditures. In particular land-use rights were increasingly commodified and capitalized in the 1990s and 2000s, as the local governments came to monopolize the land supply in primary land markets, and converted land-use rights into a finance machine, providing them with considerable alternative fiscal resources (which sometimes surpassed local government's general fiscal revenues). To a large extent, it was the capitalization of land that financed the urban development in China since 1990s.

For this reason, local governments have strong incentives (and the fiscal and institutional resources) to lead urban spatial expansion and reorganization, which inevitably caused large-scale relocation and displacement among the urban population. In

Nanjing, local government uses social housing largely as a tool to smooth out the relocation process, and to facilitate the spatial expansion and reorganization of the city. Thus, social housing became an indispensable component of the land-driven finance machine of the city.

Yet, given that land values are highly related to factors such as the general economic condition and central government's land policy, revenues from land leasing have fluctuated. This makes local governments' dependency on land revenues and the rapid expansion of local government debts an ongoing area of fiscal and financial risks.

Chapter 5. Social Housing Development in the Metropolitan Area of Guadalajara: Local Government as (the Missing) Regulator

In Chapter 3 I discussed the national level factors that triggered the mortgage and the social housing boom. In this chapter the focus is on how the housing boom took place at the local level through a case study: Tlajomulco de Zúñiga, one of the peripheral municipalities of the metropolitan area of Guadalajara that went through a dramatic social housing boom in the 2000s and 2010s. What local-level factors triggered the social housing boom in Tlajomulco? What roles did the municipal government of Tlajomulco play in the social housing boom? Finally, what explains the different roles the local governments play in social housing development in China and in Mexico?

Unlike in China, local government does not lead social housing development in Mexico. The government's role is limited to regulation, urban planning and some extent of service provision. Yet, it is precisely the missing urban planning and regulation functions, together with collusion between local authorities and the developers that created an atmosphere favorable for the chaotic social housing boom. Local government may have obtained some short-term benefits from social housing development: revenues from construction authorizations and property tax, personal benefits (often associated with corruption), and opportunities for political control (clientelistic manipulations in service delivery). However, it also has to face the challenge of service provision and the widespread social discontent caused by the precarious conditions that emerged in many of the social housing projects.

This chapter will also compare the local governance in China and in Mexico. Under China's current land regime local governments were able to appropriate the wave of expansion of real estate and financial capital. Specifically Chinese local governments promote the capitalization of land use rights, extract enormous revenues out of the rising land value and invest in giant urban infrastructure projects. In comparison the role of Mexico's local governments in urbanization is less developmentalist and more oriented towards regulation and basic service provision. I argue that the key to understand the

difference in local government's role in urban development does not necessarily lie in whether the political system is unitary or federalist, but the specific kind of incentive structure within which local governments operate, as well as the resources at local governments' disposal.

5.1. Housing and Urban development in Guadalajara since 1990s

This section provides an overview of housing development in the Metropolitan Area of Guadalajara since the 1990s. In this period the population growth in the metropolitan area had declined; yet, population redistribution and spatial expansion of the city accelerated. The consolidation of the metropolitan area, the deregulation of land and urban development, as well as the mortgage boom, consist of a context in which social housing projects mushroomed in the far peripheries of the metropolitan area.

5.1.1. The 1990s: Deregulation of Urban and Housing Development, and a Resurge of Formality

By the 1980s, the population growth of the Metropolitan Area of Guadalajara had decelerated. In this period, the core of the metropolitan area (the municipality of Guadalajara) started to experience negative population growth. Population growth also decelerated in the first ring, from 8.2% annually in the 1970s to under 2% between 1995 and 2000 (INEGI, census data). As a result, the population distribution of the metropolitan area has changed significantly: while in 1960, the municipality of Guadalajara concentrated 81% of the population of the Metropolitan Area, this figure decreased to 45% in 2000. Since 1995, the first ring concentrated more population of the metropolitan area than the municipality of Guadalajara.

As mentioned in Chapter 3, ejidal land, as a form of communal or "social" property for agricultural and communal use, has an important presence in the rural area.[95] As mentioned in Chapter 3, until the agrarian reform in 1992, households have the use rights over ejidal land, but in theory are not allowed to sell it to third party (the only legal form to incorporate the ejidal land to the city was through state expropriation). Yet, the federal government recognized informal housing development as a pragmatic policy option in the 1970s and established a federal agency -- CORETT (Commission for Regularization of Land Title) -- to regularize informal settlements on ejidal land. By the year 2000 699 settlements (59% of the total) in the Metropolitan Area were associated with some forms of informality, comprising some 309,980 lots on 16,337 hectares of land (equal to about 35% of the urban built area of the Greater Guadalajara). Only 27.5% of the land occupied by informal settlements of had been regularized by 1999 (Fausto Brito 2003).

The reform of Article 27 relaxed the restriction against the sale of ejidal land allowing ejido members to petition to the federal agency PROCEDE (Program of Certification of Ejidal Rights) to dissolve their ejidos and convert the ejidal land into private property.[96] By 2000 30 ejidos in the Metropolitan Area of Guadalajara had applied for the disintegration (26,850 hectares, or 54% of the total ejidal land). By 1999 settlements of irregular origin in the Metropolitan Area of the Guadalajara occupied 16,337 hectares of land (or 35% of the total urban built area of the metropolitan area),[97] the large part of which (11,528 hectares) was on ejidal land (Fausto Brito 2003).

[95] In the post-Revolutionary period ejidos were formed mainly through the expropriation of large haciendas and ranchos, and Ayala Castellanos and Jiménez Huerta (2005) estimate that between 1920 and 1999 some 50 ejidos were created in what is now the Metropolitan Area of Guadalajara comprising 49,901 hectares of land (almost 500 square kilometers). Most of these ejidos were formed in the 1920s and 1930s, and some of them were expanded in later years.

[96] This only applies to the areas designated for settlement, and for the area occupied by farming land parcels, not the communal area.

[97] Harner and his colleagues (2009) estimated that housing development of informal origin between 1970 and 2000 in Greater Guadalajara amounted to 13,374 hectares, which means about half of the land developments in this period.

In the economic crisis and the structural adjustments, federal housing agencies, particularly the INFONAVIT, continued its level of housing actions in the Metropolitan Area of Guadalajara.[98] Similar to the rest of the country, public housing agencies changed their modus operandi in the 1990s. As mentioned in Chapter 3, the INFONAVIT Reform in 1992 was oriented towards deregulation and stimulating the participation of the private sector in housing production. Actually, 1989 was the last year in which INFONAVIT acquired land in the Metropolitan Area of Guadalajara.[99] After the 1992 Reform, the INFONAVIT stopped acquiring land reserves and began to sell its land portfolio to developers. Since then it was the developers of social housing rather than INFONAVIT who created large extensions of land reserve at the urban periphery. The INFONAVIT became the principal finance institution of housing acquisition by granting mortgages but without enforcing effective inspection and regulation on developers. Meanwhile, housing agencies of the Jalisco State government were in a much more vulnerable position during the economic recession and the structural adjustment, as they did not have their own resources, and were completely dependent on fiscal resources.

According to Harner and his colleagues (2009), while new housing development in the 1980s was driven mainly by the expansion of informal settlements, in the 1990s, the production of all the three housing types (social, informal and high-end housing) increased, particularly social housing and high-income housing. In other words, "formality" once again dominates housing production in the 1990s (see Figure 5.1).

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[98] Throughout the 1980s, the INFONAVIT led the construction of 30,471 social housing dwellings in the metropolitan area, or roughly 3,000 units per year, although it ceased constructing three-bedroom apartments as it had in the 1970s in an attempt to reduce the construction cost (Regalado Santillán 1995: 104, 105, calculated by the author). In 1987, approximately one tenth of the population of Guadalajara lived in a social housing dwelling constructed by the INFONAVIT (Ibid: 105).

[99] In the first two decades of its operation (1972-1992) INFONAVIT had created its own territorial reserves by purchasing private or public land, as well as through the expropriation of the ejidal land. In the 1980s, 32 acquisitions in the metropolitan area totaled 282.3 hectares (8.8 hectares per acquisition), insignificant if compared to the extension of settlements of irregular origin in the city (16,337 hectares mentioned above, INFONAVIT, *Informe Anual de Actividades*, 1980-1989, calculated by the author).

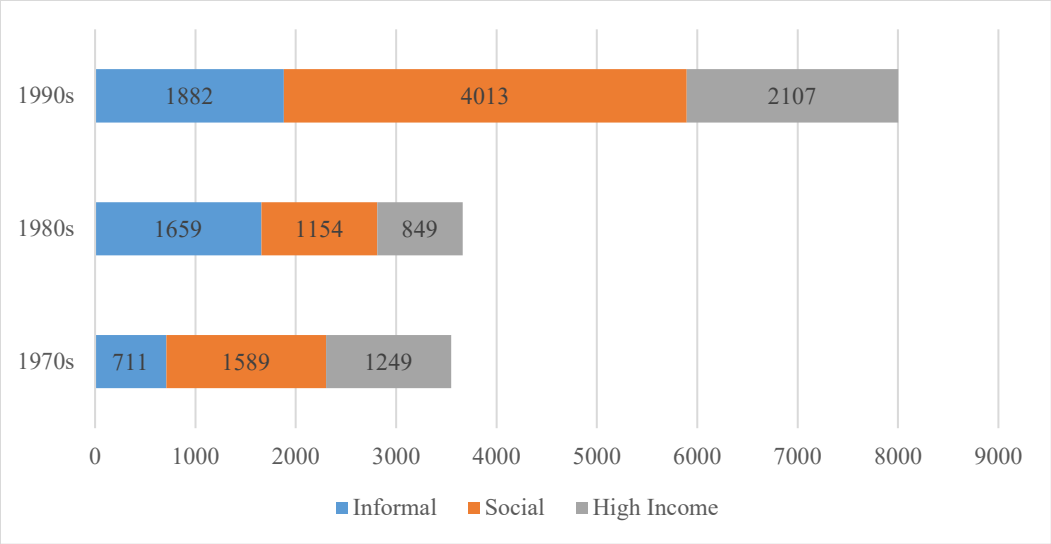

Figure 5.1: Housing Development by type in the Metropolitan Area of Guadalajara: 1970s-1990s (hectares)

(Source: Harner et al. 2009; note that here informal housing refers to those of informal origin but had been regularized)

5.1.2. 2000s and 2010s: The Social Housing Boom in a Consolidated Metropolitan Context

Population growth of the Metropolitan Area of Guadalajara was under 2% annually in the 2000s. Yet, the spatial expansion and intra-urban migration accelerated. The core of the metropolitan area continued losing population: between 1990 and 2015, the population of the municipality of Guadalajara decreased by 190,000, that is, 11.5% of its population in 1990. In contrast, the far periphery (Tlajomulco de Zúñiga, El Salto, Juanacatlán and Ixtlahuacán de los Membrillos) experienced rapid growth. There, annual population growth rate in the far was 8.9% between 2000 and 2005, and 10.6% between 2005 and 2010 (INEGI, census data). While in 1980, 70% of the population of Greater Guadalajara lived in the municipality of Guadalajara, by 2015 this number had dropped to 30%. Meanwhile by in 2015 over half of the metropolitan population resided in the first ring, and about 17% in the second ring (Figure 5.2).

Over the years the earlier self-built housing (1970s onwards) in general has been consolidated. Many of these dwellings developed a second floor, or a second house in the same lot. In some cases extra rooms were built or made available for renting or commercial use. Yet, physical and social decay can also be observed in these consolidated settlements of informal origin. In 2009 62% of the informal settlements in the Metropolitan Area of Guadalajara had not been regularized (Jiménez Huerta and Cruz Solis 2014). Moreover, as the family expands and the first-generation settlers pass away, new forms of informality around inheritance emerged years after the original house was regularized (Jiménez Huerta and Cruz Solis 2014).

While the deceleration of the overall population growth in the Metropolitan Area is favorable for reducing the housing deficit, housing demand has remained high due to the historical housing deficit (both quantitative and qualitative) and the family cycle creating new household formation. Jiménez Huerta and Cruz Solis's case study of Guadalajara (2014) documented that the second generation of the original settlers in informal settlements may stay in or return to their parents' home, or leave to self-build/ rent a home. Meanwhile both the second and especially the third generation often are reluctant to replicate their grandparents' and parents' path to homeownership: for some of them, at least, social housing became an appealing alternative.

Indeed, one of the most dramatic changes in the urban and housing development in Greater Guadalajara in the 2000s has been the proliferation of social housing projects in the urban periphery, which is the focus of this chapter. Homeownership through self-building has become less feasible and to a certain extent has been squeezed out by the social housing boom.

Developers of social housing projects took advantage of the availability of cheap land at the urban periphery of the metropolitan areas. After the market-oriented housing policy reform in the 1990s, social housing became a profitable business for developers. In an interview in 2002, Julian de Nicolas Gutiérrez, the then general director of Homex specified the profile of its clients as "those whose income equals 2 minimum wages" and

"could obtain a home mortgage of around 150,000 to 200,000 Pesos" (Mural 2002-Jun-03).[100] Developers acquired low cost land in the urban periphery upon which to construct massive social housing projects. In order to make the business profitable and "affordable" enough for the low-income working class to purchase with the mortgage available to them, developers did whatever possible to thereby minimizing the cost and making the housing "affordable" for lower income populations. Developers also reduced production costs by failing to provide adequate infrastructure and by skipping on the quality of construction of social housing units which often failed to meet the standard specified in the contract. As the next sections will underscore, the lack of effective regulation of housing and urban development by the municipal governments facilitated these developer practices and their profit seeking. In this sense, the irregularities committed by developers and the municipal government in Tlajomulco in the 2000s are not necessarily different from the legal low-income subdivisions in Guadalajara during the rapid urbanization from 1950s to 1970s. What distinguished the social housing boom in the 2000s is its scale- housing development has been industrialized and financialized.

Whereas the population growth in the Metropolitan Area of Guadalajara decelerated since the 1990s, the city's spatial expansion accelerated. As figure 5.3 illustrates, the population grew at 1.8% annually between 2000 and 2010, and 1.6% between 2010 and 2015, while the urban built-up area grew at 3% (1.2 percentage points above the population growth rate) and 4% (2.4 percentage points above the population growth rate). This spatial expansion is accompanied by a significant population redistribution within the metropolitan area, as well as a transformation of the landscape of

[100] In early 2000s, the INFONAVIT in Jalisco financed social housing up to 412,000 Pesos. Housing production at time exceeded the capacity of the INFONAVIT in finance- those dwellings completed by the end of the year would not been able to be assigned a mortgage (Mural 2004-02-17). By 2015, there are still dwellings priced around 270 thousand Pesos in the Zona Valle of Tlajomulco, according to the information gathered in the first Housing Fair held by the CANADEVI, while within the Periferico there was no new housing for sale under 425 thousand Pesos. A low-income working class may expect to seek a dwelling with a credit offered by the INFONAVIT of 250 thousand Pesos plus a subsidy offered by the federal government (El Informador 2015).

the rural hinterland.[101] Gated communities of different kinds (high end housing and social housing) have also proliferated in the metropolitan area accentuating residential segregation (Illustration 5.1), and the social-political fragmentation of the city has deepened in this period reflecting a general trend of rising inequality (Cruz Solis et al. 2008). Particularly, in the far periphery, the new urbanizations are far from being integrated into the urban fabric (Ayala and Jiménez Huerta 2011).

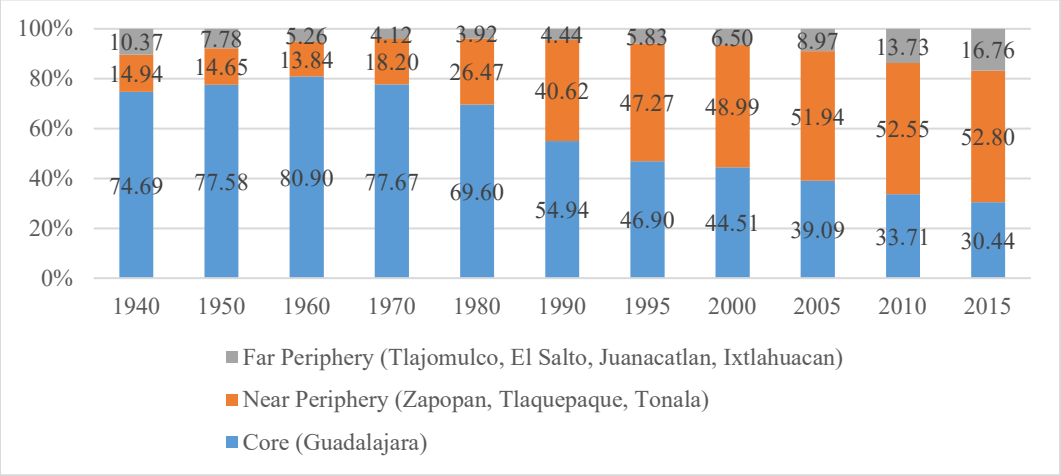

Figure 5.2: Spatial Distribution of the Population of the Metropolitan Area of Guadalajara: 1940-2015

(Source: INEGI, census data, calculated by the author)

[101] By 1990s, the territory of the municipality of Guadalajara had almost been saturated. From 2000 to 2015, the built-up area of the Metropolitan Area increased by 26,085 hectares: 14,604 hectares in the first-ring municipalities (8,424 hectares in Zapopan alone) and 10,975 in the second ring (7,703 hectares in Tlajomulco alone, see IMEPLAN 2016: 183, calculated by the author).

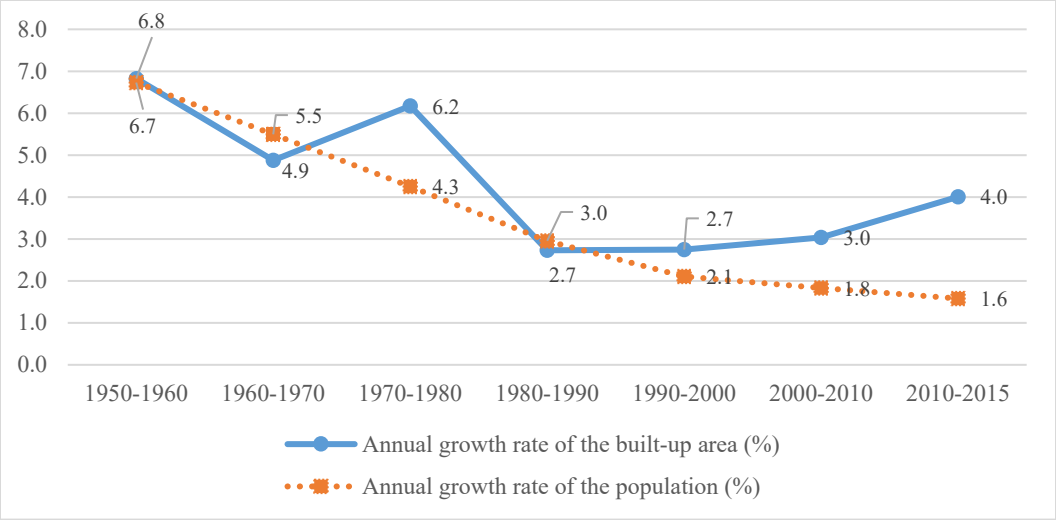

Figure 5.3: Annual Growth Rate of the Built-Area and the Population of the Metropolitan Area of Guadalajara

(Source: Fausto Brito 2003, IMEPLAN 2016: 183, excluding Zapotlanejo)

Illustration 5.1. A High-End Gated Community in the Metropolitan Area of Guadalajara (photo taken by the author)

To summarize, in 1990s, the predominant form of housing access for low-income urban working class in Guadalajara was still informal settlements on ejidal or private land. Local government worked with federal agencies in the regularization and service provision. In the 1990s, and particularly since the 2000s, against the backdrop of deregulation and mortgage boom for lower and middle income groups, social housing became an important low-income housing option, and to certain extent has replaced self-built housing in informal settlements as a path to home ownership.

5.2. The Dramatic Rise of Housing and Population Expansion in Tlajomulco de Zúñiga, 2000-2015

5.2.1. The Scale of Social Housing Boom

Tlajomulco de Zúñiga was traditionally an agricultural town at least until the late 1990s (Vargas Salinas 1997). The municipality has gone through a rapid population growth and spatial expansion in the past 15 years: from 2000 to 2015 the population increased fourfold (Figure 5.4), and the built-up area tripled (IMEPLAN 2016: 183). This dramatic urban expansion was mainly due to the social housing boom,[102] and by the 2000s Tlajomulco had become a "dormitory city" of the metropolitan area (Illustration 5.2).

From 1997, the municipal government started to grant a large amount of authorizations for housing projects- both social housing projects and high-end housing projects.[103] While in the 1990s, the municipal government received only 34 applications to build housing projects on 16.1 hectares of land, between 2000 and 2005, there were 210 applications to build on 3360.81 hectares of land (Cruz Solis et al 2008). Between 2000

[102] Between 2001 and 2003, 33 social housing projects (together offering 21,262 dwellings) were constructed in the municipality. The population increased from 124 thousand in 2000 to 238 thousand in 2003. Of the population growth of 115 thousand, 106 thousand was due to the migration into the newly-built social housing projects (Municipal Government of Tlajomulco 2004: 23).

[103] For a list of municipal presidents of Tlajomulco and state governors of Jalisco, please refer to Table 5.1 and Table 5.2, respectively.

and 2009 the urban built-up area of the municipality expanded from 7,553 hectares to 12,061 hectares and represented about 40% of the total urban spatial growth of the metropolitan area in the same period (Ayala and Jiménez Huerta 2011).

Table 5.1: Municipal Presidents of Tlajomulco 1995- 2021		
Time eriod (3-year term)	Municipal President	Affiliation of Political Party
1995-1997	Miguel Guzmán de la Torre	PAN
1998-2000	Ernesto Díaz Márquez	PRI
2001-2003	Guillermo Sánchez Magaña	PRI
2004-2006	Andrés Zermeño Barba	PAN
2007-2009	Antonio Tatengo Ureña	PAN
2010-2012	Enrique Alfaro Ramírez	PRD[104]
2012-2015	Ismael del Toro Castro	MC
2015-2018	Alberto Uribe Camacho	MC
2018-2021	Salvador Zamora Zamora	MC

Table 5.2: State Governor of Jalisco, 1995-2024		
Time period (6-year term)	State Governor	Affiliation of Political Party
1995-2001	Alberto Cárdenas Jiménez	PAN
2001-2006	Francisco Ramírez Acuña	PAN
2006-2007	Gerardo Octavio Solís Gómez (ínterim)	None
2007-2013	Emilio González Márquez	PAN
2013-2018	Jorge Aristóteles Sandoval Díaz	PRI
2018-2024	Enrique Alfaro Ramírez	MC

Almost all of these housing projects were developed by commercial developers.[105] Among all the lots constructed between 2000 and 2006, about 60% were constructed by 9

[104] Enrique Alfaro Ramírez later ran as the candidate for the Party of Citizens' Movement (MC) in the 2012 Election of the State Governor of Jalisco.

[105] Some social housing units were offered by the state housing agency/public-sector developer (IPROVIDE) and the municipal government. For example, Las Chivas is a social housing project developed by the IPROVIDE and the municipal government for relocating the 200 families that previously resided in the irregular settlement Arroyo Seco, where flooding was frequent. Between 2000 and 2006 housing development directly developed by public housing agencies occupied only

major developers[106] and the rest by some 120 developers (Fausto Brito and Mungia Huato 2010). Homex, a developer that had close connection with President Vicente Fox (2000-2006, see Marosi 2017), alone developed 34,782 lots between 2002 and 2006 almost equal to the other eight largest developers (Fausto Brito and Mungia Huato 2010).

Illustration 5.2: Scale of the Social Housing Boom in the Zona Valle, Tlajomulco (most of the built area seen in this picture are social housing projects; photo taken by the author from a fight that he took)

19.77 hectares of land– just over one-half a percent of all the land urbanized for housing projects in this period.

[106] These are: Homex, GIG, Dynamica, SIMACO, CADU, Consorcio Hogar, Consorcio Terrenos, GEO and DOMUS.

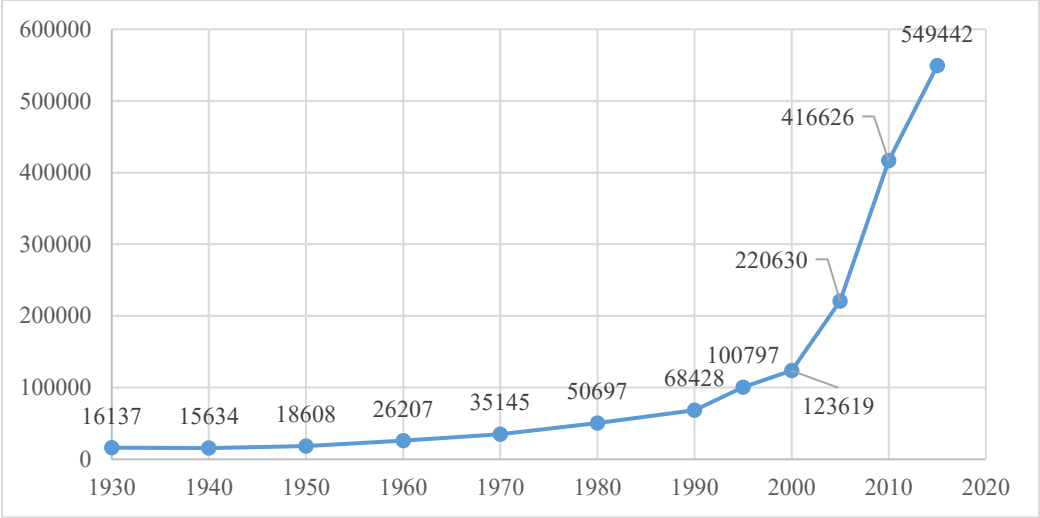

Figure 5.4: Population of Tlajomulco: 1930-2015

(Source: INEGI)

Using the information on the licenses of urbanization issued by the municipal government from 2000 to 2015, I reconstructed the trajectory of the proliferation of housing projects in Tlajomulco. From 2000 to 2015, the municipal government issued 577 licenses of urbanization in total. Among them, 362 were for social housing projects, 159 for high-end housing projects, and 14 for industrial parks and commercial complexes (See Figure 5.5).

Between 2000 and 2013 some 5,591 hectares of land was authorized for urbanization in Tlajomulco, and some 109 social housing projects were constructed in the municipality[107] (approximately 3,528 hectares). In the same period, high-end residential housing complexes occupied 1,497 hectares of land, and industrial parks/ commercial complexes occupied 341.7 hectares of land (see Figure 5.6).

[107] This number (109) is smaller than the number of licenses of urbanization issued for social housing project (272), because for larger social housing projects, licenses were often issued per phase ("etapa").

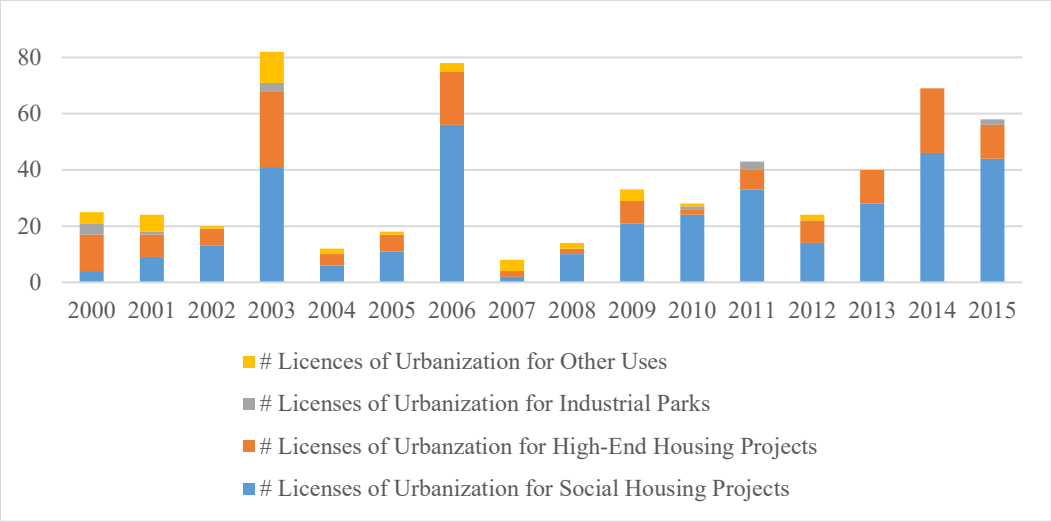

Figure 5.5: Licenses of Urbanization Issued by the Municipal Government of Tlajomulco by Categories: 2000-2015

(Source: information provided by the municipal government of Tlajomulco, and the author's own elaboration)

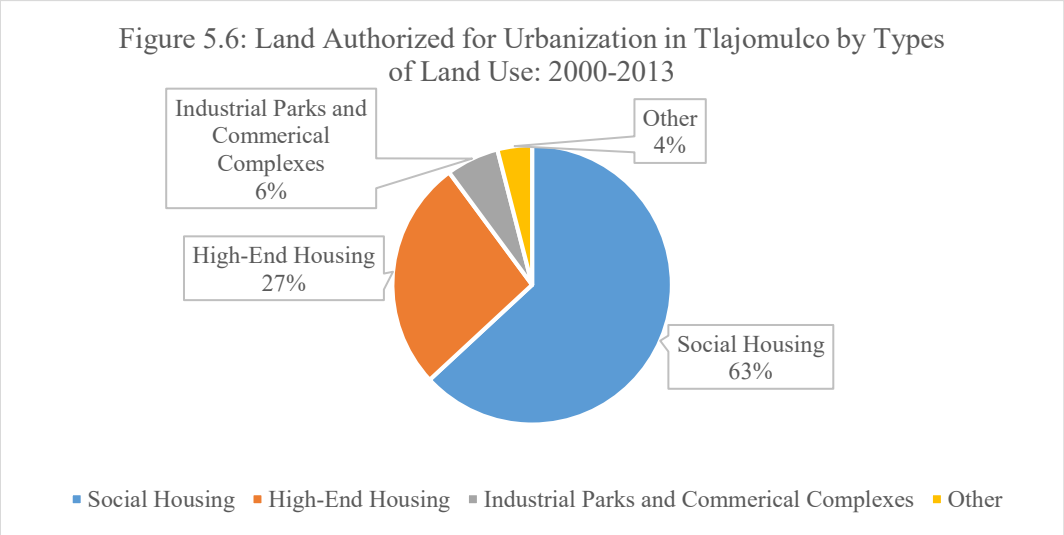

Figure 5.6: Land Authorized for Urbanization in Tlajomulco by Types of Land Use: 2000-2013

(Source: information provided by the municipal government of Tlajomulco, and the author's own elaboration)

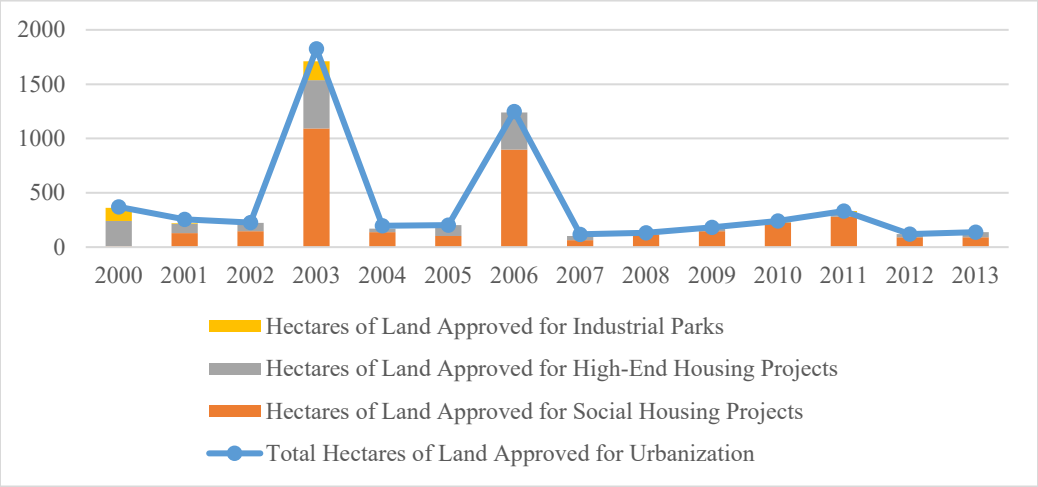

Figure 5.7: Land Approved for Urbanization in Tlajomulco: 2000-2013 (Ha)

(Source: information provided by the municipal government of Tlajomulco, and the author's own elaboration)

Figure 5.5 and 5.7 also showed that both the number of licenses for urbanization and the hectares of land approved for urbanization varied significantly from year to year. The two administrations in the 2000s, Guillermo Sánchez (PRI, 2001-2003) and Andres Zermeño (PAN, 2004-2006), were particularly dramatic in promoting housing projects, both in terms of the amount of land authorized for urbanization and the number of licenses. In both cases, most of the licenses were issued in the last year of the administration. While only 1,551 hectares of land was authorized in the municipality for housing projects from 1973 to 2000 (La Verdad 2013), in 2003 (the last year of the Guillermo Sánchez administration) some 1,538 hectares of land was authorized for housing projects (social housing and high-end housing combined). Since 2007 the expansion of social housing began to slow, especially in terms of the hectares of land authorized for housing production. Section 5.3.2 will discuss the politics of social housing development in the five administrations that governed Tlajomulco between 2001 and 2015.

Social housing projects varied significantly in their size (see Figure 5.8). Some large projects such as Hacienda Santa Fe and Chulavista have 15,853 (451.3 ha) and 14,048 lots (224.8 ha) respectively, while small projects such as Los Mesquites have under 100 lots and occupied less than 2 hectares of land.

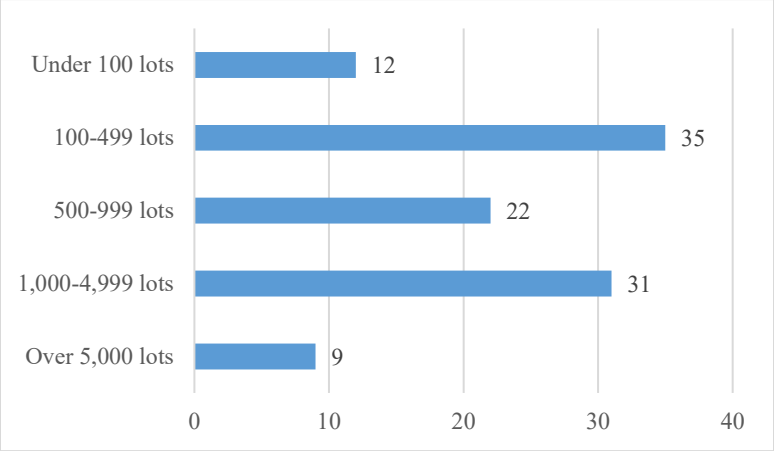

Figure 5.8: Social Housing Projects in Tlajomulco by Number of Lots

(Source: information provided by the municipal government of Tlajomulco, and the author's own elaboration)

Illustration 5.3: A Social Housing Project under Construction in Tlajomulco (photo taken by the author)

5.2.2. The Concentration of Low-Income Mortgage Borrower in Tlajomulco: The Role of INFONAVIT

As the most of the social housing dwellings are acquired with a mortgage from the INFONAVIT, this section will discuss the role of INFONAVIT behind the social housing boom in Tlajomulco. Since INFONAVIT's creation in 1972, the State of Jalisco has been one of its major fields of operation. The general trend of credit allocation by INFONAVIT in Jalisco closely tracks that of the whole country. A significant expansion of housing credits occurred since late 1990s '' an annual increase of 13% from 1998 to 2015, two percentage points above the national level.[108]

Housing credits granted by the INFONAVIT in Jalisco in the 2000s has been highly concentrated in the Metropolitan Area of Guadalajara and especially in the far peripheral municipalities of the Greater Guadalajara (particularly Tlajomulco) which were primary targets for INFONAVIT mortgages.[109] Figure 5.9 shows a fairly stable pattern of mortgage allocation in the Metropolitan Area between 2008 and 2017, on average, 45,000 credits were granted in the Metropolitan Area each year, under 4% in the municipality of Guadalajara, under 30% in the first ring, and between 65%-70% in the second ring. In this period, Tlajomulco concentrated between 32% and 42% of the mortgages allocated in the Greater Guadalajara (Indicadores Operativos de Crédito, INFONAVIT, calculated by the author).

After the Mayor of Tlajomulco, Alberto Uribe (2015-2018) announced that no more construction of dwellings smaller than 90 sq. m. would be authorized, the boom appears to decline in 2017 and in 2018. While the number of INFONAVIT mortgages granted in the Metropolitan Area of Guadalajara slightly increased in 2017 from the previous year,

[108] Source: Créditos Ejercidos por Delegación: Histórico 1972-2016, Indicadores Operativos de Crédito, INFONAVIT.

[109] Juanacatlán and Ixtlahuacán de los Membrillos, being the most remote and least populated municipalities in the Metropolitan Area, to certain extent replicated the social housing boom in Tlajomulco in early 2000s. While prior to 2011, INFONAVIT mortgages were essentially absent from Juanacatlán, in 2014, 1,731 mortgages were granted in this municipality (Table 5.9).

mortgages assigned in Tlajomulco decreased by approximately 4,000 (Indicadores Operativos de Crédito, INFONAVIT, calculated by the author).[110]

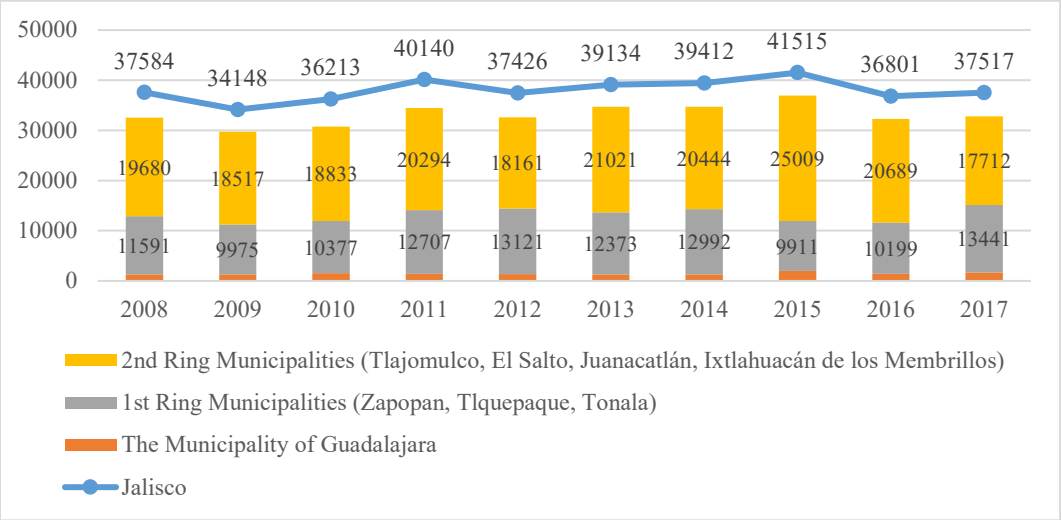

Figure 5.9: Mortgages Issued by INFONAVIT in the Metropolitan Area of Guadalajara: 2008-2017

(Source: Indicadores Operativos de Crédito, INFONAVIT)

As mentioned in Chapter 3, in the 2000s the INFONAVIT mortgages for housing acquisition were reoriented towards the low-income affiliates whose income was below 4 times the minimum wages. Many of the low-income affiliates acquired a new social housing dwelling by combining a mortgage and the subsidies offered by the federal government. Yet, in the Metropolitan Area of Guadalajara, this trend was translated into

[110] It appears that after 2016, while the mortgage boom continues, more were granted in the core and the first ring with the proportion of the INFONAVIT mortgages in the municipality of Guadalajara and the first ring increasing from 15% in 2015 to 33% in 2017 (Indicadores Operativos de Crédito, INFONAVIT, calculated by the author). This may reflect the beginnings of re-densification urban policy promoted by the Peña Nieto Administration (2012-2018), although the mortgage expansion and new social housing projects in the first ring were in the rural hinterland of Zapopan suggesting that it was more a switching of supply to the demand. Moreover, within the second ring, despite the mortgage decline in municipalities like Tlajomulco, Juanacatlán and Ixtlahuacán de los Membrillos since 2015, El Salto appears to be still going through a rapid mortgage expansion.

an uneven spatial distribution of the INFONAVIT mortgages allocated to the low-income workers. The mortgages allocated in Tlajomulco (among other municipalities of the second ring) were disproportionately concentrated in workers earning less than 4 minimum wages (as well as those earning less than 2 minimum wages), compared to other municipalities in the metropolitan area as well as the national level. Take the year 2015 as an example, while in the municipality of Guadalajara, 15.7% of the mortgages were assigned to affiliates earning less than 2 times the minimum wage, this numbers was 58.2% in Tlajomulco (Indicadores Operativos de Crédito, INFONAVIT, calculated by the author).

Moreover, most of the mortgages that were allocated to workers earning less than 4 minimum wages (as well as those earning less than 2 minimum wages) were channeled to the far peripheries of Guadalajara. From 2009 to 2016, over 75% of the mortgages assigned to affiliates earning under 2 minimum wages were channeled to the far periphery of the metropolitan area -- in 2012, almost 60% of these mortgages were channeled to Tlajomulco alone (Indicadores Operativos de Crédito, INFONAVIT, calculated by the author). Similarly, in 2015, 62.7% of the mortgages assigned to affiliates earning under 4 minimum wages were channeled to Tlajomulco.

In sum, the fact that most affordable housing options for the low-income working class were allocated in the far periphery, combined with the passivity of the INFONAVIT (which does not seek to alter the geographic distribution of the mortgages) became a powerful sorting mechanism that centrifugally pushed the low-income home seekers to the outskirts of the city and beyond. As in other major cities in the country, the social housing boom in the Metropolitan Area of Guadalajara represents a dramatic wave of spatial reorganization and stratification of the city.

5.3. The Failure of Planning for the Social Housing Boom: a Tlajomulco Case Study

5.3.1. Missing Urban Planning, Corruption and the Social Housing Boom

Tlajomulco has a territory of 70,897 hectares, which is almost one third of that of the metropolitan area (Ayala and Jiménez Huerta 2011). Land in the municipality is abundant and flat, which has traditionally been used as cropland. Yet, as early as in 1998, local newspaper *La Verdad* (2013) noticed that land owners in the municipality who were not motivated in agricultural production often sold their land to developers for housing development. These features soon made the municipality, together with Zapopan, a desirable target for developers and especially speculators in the land market. These two municipalities concentrated about half of the new constructions of the housing projects at the time (Mural 2002-09-04). However, compared to Zapopan land prices in Tlajomulco were much lower[111] and authorizations of urbanization and construction were even easier to obtain. While in other municipalities of the metropolitan area it could take more than a year for developers to obtain the permission of urbanization, in Tlajomulco, the process usually took only about four months (Mural 2002-06-20).[112]

This was not the result of a modern, efficient urban governance. On the contrary, urban planning and regulatory framework on urban and housing development were practically non-existent in Tlajomulco in late 1990s and 2000s when the social housing boom started. The Manuel Guzmán de la Torre Administration (1995-1997) developed urbanization plans but they never entered into force. The following Ernesto Díaz Marquez Administration (1997-2000) did not approve the plan either, but instead made a new plan of urbanization, which did not enter into force either: truly an example of "many plans but

[111] According to José Luis Cuéllar, director general de Quic Proyectos, in 2002, land sold for 100 Pesos per sq. m. was still available in Tlajomulco, not so much in Zapopan (without any service/ infrastructure, Mural 2002-06-20). That said, this was already much higher than late 1990s, when ejidal land was sold at 20-30 Pesos per sq. m. (Martines Macias 2005).

[112] In an interview with Mural (2004-02-17), the former Delegate of the INFONAVIT in Jalisco commented that, in Tlajomulco, the developers could start to "mobilize their machines" within 45 days after they submitted their application for urbanization and construction.

no planning" as described by Ward (1990) for Mexico City in the 1980s. The Guillermo Sánchez Magaña Administration (2001-2003) did promulgate the plan of urbanization made by his predecessor but did not follow it, instead later, formulating yet a new urban plan (Mural 2003-10-13). It was not until the Andrés Zermeño Administration (2004-2006) when the municipal government had an official urban development plan that in some way intended to construct necessary infrastructure to accommodate future urban development (Mural 2004-06-18).

Early urban plans often lacked technical rigidity and failed to adequately address certain important aspects. For example, although Tlajomulco has a large extension of flat land, it is also prone to flooding: some bodies of water had dried up, but they remained as natural water cause during the wet season. Unfortunately, the early urban planning did not include a thorough hydrologic study, and a lot of the housing projects were actually built on those natural water courses with no proper infrastructure to deal with the potential flooding during the wet season, which caused enormous material loss in later years (Mural 2004-10-07).

The implementation of the existing urban planning and zoning code was severely compromised therefore. There were also loopholes insofar as the municipality is divided into a number of districts (currently 18), each of which is subject to a local partial plan established by the municipal government with zoning code. However, in the early 2000s when the social housing boom started, developers made their own partial plans without consideration of the surrounding area or the municipality as a whole. As one municipal official stated to me in an interview: "When Alfaro initiated his administration in 2010, it was really a real estate chaos- there were constructions everywhere, and no one knew what and how the developers were constructing".[113]

Prior to the 2008 Law of Urban Development, the municipal council members were supposed to vote for or against the authorization of urbanization and the change of land

[113] Also verified in Fausto Brito and Mungia Huato 2010.

use.[114] The municipal council members, some with a vested interest in the real estate sector, often paved way for developers to expand their business in the municipality (Fausto Brito and Mungia Huato 2010).

Although social housing is often considered as "formal housing development" (in contrast to the previous self-built informal housing on ejidal land), the case of Tlajomulco reveals that social housing can also be fraught with irregularities of all kinds. These include violation to the land use zoning codes, lack of proper technical study regarding the feasibility of the project, failure to pay the required fees or guarantees to the municipal government, lack of proper land title, not to mention the often substandard quality of construction and the lack of infrastructure (Proceso 2010-01-21).[115] Once a housing project is completed, the municipal government is supposed to conduct an inspection to give final approval. Only when the project is accepted ("municipalized") can the municipal government deliver services to the new housing project. Some projects were never approved, and in theory are not entitled to receive services and are invariably in the worst situation (such as the Projects Silos, Providencia, etc.). A study carried out by the Enrique Alfaro Administration (2010-2012) found that in 2010 some 109 housing projects (both high-end and social housing) presented some form of irregularity, affecting about 350,000 people. Among these 109 projects, 59 had not been "municipalized", though people already lived there (85,969 dwellings, see Municipal Government of Tlajomulco 2010 and La Jornada Jalisco 2010-07-04). By September 2012, the end of Alfaro's Administration, still 44 projects had not been municipalized, and while the municipal government made some attempt to fix the problems new irregularities were exposed (El Informador 2012-09-13).

The INFONAVIT did not play an adequate role in regulating housing development; nor did it sought to influence the geographic distribution of the mortgages to avoid its

[114] Under the current law, this task is delegated to a technical group in the municipal government, and the municipal president is given more power in deciding whether or not to authorize the housing project (interview with municipal official).

[115] Guillermo Sánchez defended his housing policy that although his administration approved many housing projects, but none was irregular settlement (Mural 2004-01-05).

concentration in Tlajomulco. Though by early 1990s the Institute had discarded its role in leading housing construction for the working class, it could, in theory, boycott the developers who did not meet the required standard by denying granting mortgages to those housing projects. However, for most of the early 2000s the INFONAVIT Jalisco delegation office was more dedicated to promoting the growth of the housing business than supervising the quality of the housing projects. No matter whether the housing project was approved the INFONAVIT allocated mortgages anyway (El Informador 2012-09-13). Velasco Carmona, director of the Jalisco Delegation of the INFONAVIT until 2004, commented that INFONAVIT did not impose its own regulatory frameworks upon the municipalities but simply went along with municipal governmental decisions. (Mural 2004-02-17).[116] The Subdirector of Finance and Planning of the INFONAVIT, Gómez Dorantes, in an interview with Emeequis in 2011 stated the social housing "disaster" in places like Tlajomulco was the fault of the municipal authorities, and that the social problems observed were the result of poor service delivery, not the housing quality.

Although the metropolitan area was clearly defined by late 1990s and the social housing boom in Tlajomulco was a metropolitan-wide phenomenon, coordination among the municipalities or urban planning at the metropolitan level was ineffective. The previous Metropolitan Urban Development Plan dated to 1982 which even if had been implemented systematically it was out-of-date by the beginning of the 2000s. In 2000 the Metropolitan Council and the State Council of Urban Development proposed an updated plan of territorial organization at the metropolitan level, and which interestingly called for a re-densification within the first ring in an attempt to curb further urban sprawl. Yet nothing happened to curb housing development, and the metropolitan council focused on traffic and highway construction (Mural 2004-11-23; see also Ward and Robles 2012).

[116] This attitude of the INFONAVIT made investment in social housing projects in Jalisco almost "a guaranteed success" (Mural 2004-02-17), which raised the indignation of the CANADEVI-which issued an official complaint against Velasco Carmon. Even the Governor of Jalisco Francisco Ramirez (PAN, 2001-2006) requested the citizens to denounce the irregularities committed by the INFONAVIT-Jalisco (Mural 2004-02-19).

Most of these projects were located by or close to the old townships and settlement in order to take advantage of the existing infrastructure of the place (sewage, wastewater treatment plant, power grid, running water, road, routes of public transportation, schools, etc.), or along the major expressways (such as Guadalajara-Morelia expressway and the Guadalajara-Chapala expressway). Yet, little was done to expand the existing secondary and tertiary infrastructure to accommodate the housing expansion. The fact that the social housing boom was not accommodated by the improvement of infrastructure and service provision caused multi-faceted problems, such as the deficits in schools (at all levels), hospitals and ambulances, public transportation, water supply and drainage; as well as worsening traffic congestion and deteriorating public security. These deficits not only affected the new-comers but also the residents of the nearby old townships (Mural 2002-12-30), which led to numerous protests.

The municipal government could do little to address the deficit in infrastructure and service largely because it had no fiscal resources to satisfy the unmet demand for infrastructure and service. At best, the municipal authorities came up with some provisional measures such as the dispatch of water trucks to deliver water (Mural 2002-04-27), and provide support for the purchase of "provisional (temporary) classrooms" (Mural 2002-12-31).

The municipal government requested the State government to channel more resources to health, education and public security, as these are shared responsibilities between the state and the municipal governments (Mural 2003-01-01). It was not until 2004 that the Secretariat of Education of the State conducted a field research to quantify the demand for school facilities. The municipal governments also attempted to pressure the developers to contribute to the provision of service and infrastructure- not only within the housing projects (such as schools and police cars), but also the surrounding area (Mural 2004-04-20, 2004-09-06, 2004-09-20).[117]

[117] In order to extend the Adolf Horn Avenue, which was the only access to the social housing projects in the Zona Valle but had only one lane in each direction at the time, the Andrés Zermeño

What the successive municipal authorities (in particular the Guillermo Sánchez and the Andrés Zermeño administrations) failed to do was to curb the further chaotic expansion of the social housing projects and regulate the urban and housing development properly. But as the director of urbanization of the Andrés Zermeño Administration explained, the municipal government would not have any reason to deny the application of the license, if the developer had met all requirements of the regulatory framework (Mural 2004-04-20). The Guillermo Sánchez Administration approved an unprecedented number of housing projects in the last year of its three-year term (2003), and 2003 saw the single most authorizations of urbanization and most land authorized for housing development. Despite the opposition from various members of the city council, Guillermo Sánchez claimed that "no law establishes a maximum number of projects that we can approve… the municipal government is doing no more than what corresponds to its interest, and if the council members don't like it, they can feel free to vote against it" (Mural 2003-12-24).[118]

There are many stories of corruption associated with the construction authorizations. It was reported that municipal council members received bribe for the licenses of urbanization that they authorized, and also documented that municipal functionaries took bribes for discounts for the construction authorizations (Martinez Macias 2005). Several

Administration mobilized municipal and state fiscal resources, as well as collaborated with the neighboring municipality of Tlaquepaque that shared the avenue. The municipal government also convinced several major developers operating in the area to contribute with personnel and equipment (Mural 2004-11-11). Similarly a contract regarding the construction of pipeline for waste water during the Administration of Antonio Tatengo was signed with several major developers. These developers were required to invest 133.4 million Pesos to construct 25,890 meters of pipeline, which would serve more than 60,000 dwellings, and in exchange the municipal government offered a discount of 66.7 million Pesos in license fees (Mural 2009-12-15). For the construction of a bridge over the Canal of Las Pintas during the Enrique Alfaro Administration (2009-2012) the municipal government invested 1.8 million Pesos, and some major developers in the area contributed the other 3.1 million (Mural 2010-02-10).

[118] A dramatic event occurred in the last week of this administration: although the Director of Public Work assured that all the authorizations were issued with full legality (Mural 2003-12-20), a few days later, in the last day of the administration, the director himself was removed from his position by the municipal president, as the former refused to approve two housing projects (Mural 2003-12-31). In the last day of the Administration, five housing projects were approved (Mural 2004-03-18).

municipal council members suspected that a housing project was approved because the owner of the land was a high-ranking municipal officer, who wanted to sell the land to the developer (Mural 2003-12-24).[119] Humberto Rivera Castañeda, a municipal council member during the Guillermo Sánchez Administration, was accused of violent displacement and expropriation of communal land for the construction of a housing project whose developer was also a close family member of the councilman (Mural 2004-07-12). Guillermo Sánchez himself was expelled from the PRI in 2004 after the Party lost the subsequent municipal election, and because there were multiple accusations of irregularities in the authorizations of housing projects (Mural 2004-03-15).[120]

The following Andrés Zermeño Administration stopped issuing authorization for urbanization during the first months of its first year and promised to review the authorizations of urbanization and to fix the irregularities in the housing development in the municipality.[121] However, his administration replicated similar irregularities in the authorization of new social housing projects, and in 2006, the last year of the administration, another 78 licenses of urbanization were issued (56 were for social housing projects), which would lead to the urbanization of 1,248 hectares of land (898 hectares for social housing projects, see Figure 5.6 and 5.7).

[119] Even Guillermo Sánchez himself developed a housing project together with other ex-functionaries. His predecessor, Ernesto Díaz Márquez, even had real estate business operating in California (Martinez Macias 2005). Functionaries of the Guillermo Sánchez Administration fraudulently sold land lots that were not suit for housing development to 236 persons for housing construction, under the false promise that they would take care of all the paperwork, but only 24 sales were registered in the municipal government, and buyers did not even have the information of the exact location, size or cadastral value of the land they purchased (Mural 2004-09-06).

[120] Another charge was that in the last day of the administration, Guillermo Sánchez and a group of council members held a secret meeting, in which each received a considerable sum of bonus- and the Mayor received 300 thousand Pesos. Officials from this administration also attempted to illegally take certain official documents (construction plans) away from the government building, but was found as the truck that carried these documents hit a utility pole and the driver was injured (Mural 2004-01-03, 2004-01-28, 2004-03-15).

[121] In 2004 and 2005, only 30 licenses were issued (compared to 83 in 2003), among them 17 were for social housing projects (compared to 41 in 2003, see Figure 5.6).

The housing boom seemed to slow down during the Antonio Tatengo Administration – at least at the beginning (2007-2009). Yet, the irregularities in the authorizations of construction persisted, including the arbitrary changes made to the land use established by the zoning code (Mural 2009-11-12, Proceso 2010-01-21). Thirteen housing projects approved by the Tatengo Administration did not fulfill their payment obligations regarding fees for paperwork to the municipal government, which caused a loss of 196 million Pesos in municipal fiscal revenues (Proceso 2010-01-21). The most notorious case was the approval of the Phase 3-5 of the social housing project Los Silos. It was not even clear whether this project was actually located in Tlajomulco or the neighboring municipality of El Salto; and to the extent that it was in El Salto the zoning was land for industrial use (Ornelas 2012). In December 18, 2009 alone (two weeks before the end of the administration) the Antonio Tatengo Administration authorized the construction of 2,714 dwellings in 5 social housing projects (Mural 2010-01-12).

As discussed previously in this chapter, the municipal administrations in early 2000s were not ready to face the challenge posted by the social housing boom. These administrations were led by traditional political families from the municipal seat, and were used to govern Tlajomulco as a small agricultural town, not a city of half-million population. The municipal government was almost absent there in the newly urbanized areas. Moreover, the influx of new residents who did not have previous connections with the local political families changed the political configuration of the pre-boom Tlajomulco (interview with municipal officials). The frustration and anger about the precarious condition of the social housing projects and about poor local governance ended the rule of both the PRI and PAN in the municipality. In 2009, Enrique Alfaro was elected as Municipal President as a PRD member and later joined the recently formed Party of Citizens' Movement (MC).

5.3.2. The End to the Social Housing Boom, but Ongoing Challenges

The MC rules the municipality in the 2010s, and condition in the social housing projects has generated a string political support base.[122] The MC's performance in Tlajomulco consolidated Enrique Alfaro's personal reputation as a capable municipal president and he was later (2015) elected as the Municipal President of Guadalajara, and then the Governor of the State of Jalisco in 2018. The MC also won elections in the majority of the municipalities of the metropolitan area of Guadalajara in both 2015 and 2018. In other words, MC's governance in Tlajomulco after the social housing boom (or disaster) was a key element in its rise from a minor party to an actor of national prominence.

The MC made serious attempts to modernize the urban governance in the municipality. A new Center of Administration was built in the seat of the municipality in 2012, and more administrative offices were established where social housing projects were concentrated. The three administrations from Alfaro onwards promoted projects with greater transparency, and included participatory budgeting and social programs as key components in their governance, reinforcing their legitimacy among the local electorate (Martínez-Páez and Rosales-Rodríguez 2016; Zepeda et al. 2014).[123] From 2011, 15% of the fiscal revenues from property tax of the municipality was used for participatory budgeting, and citizens can vote for the public work they want to carry out from a list of possible projects. Regulations over urban and housing development were tightened, and from 2010 the municipality has its Municipal Plan of Urban Development and Local Program of Ecological Ordering.[124]

[122] For example, in the Zona Valle, area where numerous mega social housing projects are located, the municipal government poured a large amount of resources. Local leaders of MC are very frank about the fact that the Zona Valle is a solid power base for the Party.

[123] For the municipal government's review of its policy of citizen participation, see *Tlajomulco, de la Representación a la Participación Ciudadana* (link: https://tlajomulco.gob.mx/noticias/libro-tlajomulco-de-la-representacion-la-participacion-ciudadana)

[124] To access to the *Municipal Plan of Urban Development*: https://www.tlajomulco.gob.mx/sites/default/files/transparencia/planes/PMDU_TLAJOMULCO_2010_documento.pdf

Moreover, the economy of the municipality has diversified and paved the way for an end of the social housing boom (interview with a municipal official).[125] Note that the expansion of social housing did not end during the Enrique Alfaro and the Del Toro Administrations.[126] It was not until 2016 when the municipal president Alberto Uribe (2015-2018) finally announced a ban against construction of dwellings smaller than 90 sq. m.[127] At the same time the municipal government also changed the zoning code in two districts of the municipality from residential to industrial and commercial, which was believed to impede the construction of large amount of new housing units.[128] Stricter regulations would also be applied in the application to the authorization of urbanization, and developers were required to present a detailed plan of service provision in the housing projects. In addition, for each new dwelling constructed the developer was required to plant four trees, etc. (Mural 2016-06-21).

To access to the *Local Program of Ecological Ordering*: https://www.tlajomulco.gob.mx/sites/default/files/transparencia/planes/poel_completo.pdf Tlajomulco was the first municipality in Jalisco to have specific plans regarding urban development and ecology.

[125] According to official statistics, the private investment in the municipality during the Del Toro Administration (7,068 million Pesos, 2012-2015) doubled the Antonio Tatengo Administration (3,500 million Pesos, 2007-2009). The investment in housing development as a proportion of private investment decreased from 67% for the Tatengo Administration, to 43% for the Alfaro Administration, and to only 21% for the Del Toro Administration (Municipal Government of Tlajomulco 2015). The modernization of the governance, the fiscal incentives offered by the municipal government and the passage of several important freeways are factors behind the economic bonanza (La Verdad 2013-05-12, Municipal Government of Tlajomulco 2015). Yet, as 2/3 of the investment was concentrated in the commercial and service sector (Municipal Government of Tlajomulco 2015), it is important to take into consideration urbanization- the municipality is already a city with more than half million population, and thus, an important consumer market.

[126] The Enrique Alfaro Administration actually approved more land for social housing projects than his predecessor Antonio Tatengo.

[127] By the time, the sale of social housing as small as 33.5 sq. m. was still going on and dwellings of 56 sq. m. were approved by agencies of housing finance such as the INFONAVIT.

[128] According municipal official, with the new housing policy in Tlajomulco, the administration reduced 800 hectares of land that was once planned for housing development in 2 districts alone (Santa Fe and Totoltepec). These were H-4 area, which allows to construct up to 115 dwellings per hectare.

In the 2010s governmental coordination at the metropolitan level, as well as the coordination between the municipal government and the INFONAVIT has advanced. In 2008, a new State Law of Urban Development replaced the outdated 1993 version. Under the new legal framework, in 2011, three agencies were established: the Council of Metropolitan Coordination, which involved the municipal presidents of the metropolitan area and the state governor; the Metropolitan Institute of Urban Planning (IMEPLAN), a technical institution; and the Citizen Council to uphold citizen participation in the urban affairs. In 2016 IMEPLAN and the municipal governments formulated the Metropolitan Plan of Territorial Ordering (POTMet), which finally implements a long-term vision of sustainable urban development at the metropolitan level. [129] However, to the disappointment of many the line 3 metro line that residents in Tlajomulco badly wanted to connect the major social housing projects to Guadalajara did not materialize. Line 3 ended up serving the neighboring municipality of Zapopan. In 2010 Tlajomulco was the first municipality in the country to collaborate with the INFONAVIT to identify the permanently abandoned social housing dwellings, with the aim of restoring and reselling these properties (Emeequis 2011).

The challenge today, therefore, is for the municipal government to move from a position of curbing the chaotic housing boom in order to improve the conditions of the existing social housing projects and to integrate the municipality into the Metropolitan Area (rather than remaining as a dormitory city). The end of the social housing expansion in the municipality created a favorable condition for the solution of the problems. Yet, the accumulated deficit of infrastructure and service during the social housing boom persists, despite some improvement. Old aspects of precariousness such as deficit of schools, water supply, public transportation, treatment of waste water, public security etc., persist despite the efforts made. Not surprisingly, it is extremely difficult to fix the problems such as flooding when the social housing projects are located in areas liable to flooding unless major work is conducted to restructure the drainage system. Social housing projects that

[129] Retrieved from: http://imeplan.mx/sites/default/files/IMEPLAN/POTmet_IIIFB-BajaRes.pdf

until today have not been authorized formally due to severe irregularities (such as Silos and Providencia) are largely excluded from consolidation and interventions, although the municipal government does provide some level of basic service. Similarly, with the issue of soaring housing vacancy rates unless the social issues such as public security and employment opportunities are addressed, it is questionable to what extent the current policy of reselling the abandoned properties can be successful.

Illustration 5.4 Municipal Authorities Initiating a Public Work in Social Housing Project Chulavista, Tlajomulco (the second from right is the then Municipal President of Tlajomulco, Alberto Uribe Camacho [2015-2018]; photo taken by the author)

5.4. Municipal Governance, Urbanization and Decentralization: A Comparison with China

5.4.1. Social Housing Boom in the Context of Mexican Decentralization

Although Mexico has formally been a federalist country according to the 1917 Constitution, a trend towards centralization became quite notable since the 1940s when the federal government intended to reinforce its control over the tax regime. A common practice in the 1980s was that the state governments exchanged part of its role in tax collection to the federal government for the transfer payment from the latter (Moreno 2008). Mexico initiated its wave of decentralization in 1983 with the modification of the Article 115 of the Constitution that gave municipal government more autonomy, resources, and responsibilities. Particularly, property tax became a municipal tax. The municipal governments were required to assume more responsibilities in public works and service provision (Moreno 2005).[130] In this context although municipal governments do not take the lead in social housing development, they are in charge of establishing the regulating it through zoning code and urban development plans, issuing construction authorization, inspecting the quality of the housing project, as well as providing basic services after the project is received by the government. In sum, the role of local government in social housing development in Mexico is regulator and service provider.

There is general consensus regarding the main challenges faced by decentralization in Mexico: the gap between the resources and the expenditure responsibilities, and the insufficient institutional capacity of the local governments (Moreno 2007b). Similar to the metropolitan governments in China, municipal governments do not have their own major taxation power in Mexico: among municipal governments' revenue sources, property tax is the most important one. Yet, most municipalities are not fiscally self-sufficient, and they

[130] Required by the Constitution, the municipal government is responsible for the provision of water and sewerage systems, garbage collection and public sanitation; local streets; public lighting; police and local transit; civil protection; parks and open spaces; environment; zoning, land use, and urban planning; and civic and cultural activities (Rowland 2007).

depend more on the transfer payment from the federal government. In 2002, for example, 68.1% of the municipal revenues was from federal revenue sharing/ conditional grants, and only 10% was from local taxes (Rowland 2007). Initiatives that intended to increase and institutionalize federal support for municipal government, such as the creation of the Ramo 33 funds, are not sufficient. Regarding the development of urban infrastructures and public works, some are the shared responsibilities between governments of different levels (such as the construction of schools). In other cases, resources are a result of the synergy of government at different levels, such as the transfer payments (both conditional and general) and the metropolitan funds.

The social housing boom/disaster in Tlajomulco reflects a gap between the national-level policy and local political reality. Nationally, the PAN administration led by Fox further advanced the neoliberal transformation of public policy, particularly regarding deregulation and promotion of the participation of private sector. Government at different levels made close alliance with the capital (Fausto Brito and Munguia Huato 2010). In the housing arena, the mortgage boom led by the INFONAVIT and the subsidies offered by the federal government and the deregulation in the urban and housing development, created a favorable environment for the expansion of the real estate capital. It turned the production of social housing for low-income population into an almost guaranteed success for developers.

Yet, locally, as this chapter has documented in detail, local actors of the public sector (municipal governments, state government, agencies of metropolitan coordination, or the state delegation of INFONAVIT) were not prepared for the social housing boom. This boom took place in a context in which there was almost no urban planning or regulatory framework. The predominant logic that operated behind it was to maximization of profit and minimization of cost, to the interest for the developers and the financial agencies (INFONAVIT, SOFOLes, commercial banks). The municipal government at the time did no more than legitimize the interest of the real estate capital by issuing authorizations. While individual officials received bribes, consolidated their vested interests in the real estate sector, or expanded its network of favoritism, they left clusters

of urban and social problems that were extremely difficult to address for later administrations, and it is the social housing dwellers who have to suffer the real consequences of the social housing boom/ disaster.

5.4.2. Comparing Urban Governance in China and Mexico: Politics and Land Matter

Compared to Mexico, the mismatch between the (general) fiscal revenues and expenditure responsibilities in China is even greater. Yet, Chinese local authorities play a central role in leading urban development, not only as planner and regulator, but also as constructor, entrepreneur and developer, as the case of the social housing development in Nanjing represents. In the Prefecture of Nanjing, between 2000 and 2014, the metropolitan and the district governments demolished about almost 200 thousand urban residential dwellings (see Figure 4.17). Meanwhile, the local governments constructed and allocated a similar amount of social housing between 2005 and 2015, most of them for relocation purposes (Table 4.6). The form and degree of government intervention in urban development and redevelopment is much deeper in Nanjing. What contribute to this stringer exercise of local governance, if we make a comparison with Mexico? The two factors that most distinguish Nanjing and Guadalajara regarding urban governance are the political regime and the land regime.

The political dimension matters. Mexico is a democracy in which municipal president is elected by the local electorate, while in China mayors and local head of the Communist Party are essentially appointed by the upper-level authorities. As the case of Nanjing and Guadalajara show, the dominant political regime largely influence the career pattern of the local authorities. In China, local leaders are more likely to respond to the expectations from upper-level authorities, which prioritize economic growth and political stability, to obtain promotion. In Mexico, local leaders increasingly have to respond to the

demand of the local electorate to win the election, which often centers on their performance in undertaking public works, providing basic services and ensuring public security.[131]

It is true that different political contexts lead local authorities to develop different *preferences* in the fiscal expenditures. Yet, the demand "from above" and the demand "from below" are not necessarily mutually exclusive. Although GDP growth is not an essential task for municipal authorities, it is wrong to assume that they are limited in provision of basic service and some infrastructure. Municipal governments in Mexico have increasingly engaged in local economic development. Based on a sample of 898 municipalities between 1990 and 2005, Rodríguez-Pose and Palvicini-Corona (2012) found that 42.3% municipalities had established policies to foster entrepreneurship; 46.8% had formulated a long-term development plan based on local economy. The adoption of various local economic development strategies is positively associated with the performance of human development index. The experience of Tlajomulco in attracting private investment and diversifying its economy, as discussed in the previous section, is a good example. Bringing investment to and creating job opportunities in the municipality will definitely add credits for the next election.[132]

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[131] The decentralization in Mexico was carried out in tandem with the democratization process, which ended the uninterrupted rule of the PRI for seven decades in 2000. While the decentralization was used by the PRI to reinforce its rule in the federal government, some level political opening led to the rise of the opposition parties at subnational level (Rodríguez 1997). Democratization has a positive impact on local governance. The combination of the deepening of electoral democracy in Mexico and the decentralization contribute to the increasing municipal spending on public works beyond expanding the current expenditures (Moreno 2007a). With that said, electoral politics exercise much influence in the municipal investment in public work and infrastructure. Moreno (2005) concluded that municipal spending on infrastructure increased when the election was approaching, and when the local mayor belongs to a different party than the state governor. Simpser and his colleagues (2016) reached similar conclusion regarding how municipal spending of the 3x1 Program prioritized electoral interests.

[132] Municipal administrations in Mexico are of 3-year term, and until recently, municipal presidents were not allowed to be re-elected. This to large extent became an obstacle to long-term planning and the professionalization of the local bureaucrats. The fact that in all the three municipal administrations in Tlajomulco in the 2000s approved an enormous amount of housing developments in the last year of the administration (or even the last month, last week) is a strong evidence of the lack of long-term vision of urban development. Single party rule does not guarantee continuity in urban policy either. Cases of unfinished infrastructure projects abandoned by the new

However, political regime alone is not sufficient to explain the different roles the local governments in the two countries play in urban development. We also need to take into consideration the land regime. Compared to their Mexican counterparts, local governments in China resemble more the features of a real estate enterprise in leading urban development. As discussed in Chapter 4, in the Chinese case all urban land is public, and the metropolitan governments monopolized land supply for urbanization. Although the prefectural governments in China also face the challenge of mismatch between their fiscal revenues and the expenditure responsibilities, and they are also dependent on the transfer payment system, they can operate a parallel budgetary system that is primarily based on the revenues from land leases to finance their infrastructure and development projects. More importantly, the land reserve possessed by local government can serve as collateral for the local government to apply for bank loans.

Historically, municipal governments in Mexico play a much more limited role in land compared to their Chinese counterparts. Before the 1992 land reform, the Secretary of Agrarian Reform was the only agent that could expropriate the ejido land, and the municipal governments had little or no authority over ejidal affairs (except they may refuse to provide urban service). The regularization of informal settlements on ejidal land the dissolution of the ejidos have been undertaken by federal agencies (CORETT and PROCEDE). Municipal governments in Mexico do possess land. For example, in Jalisco, developers of social housing projects are required to donate a fixed proportion of the land to the municipal government. Yet, the municipal government can only use its land for social purposes (such as building schools, hospitals and cultural facilities), not for profit as in the Chinese case.

For the municipal government of Tlajomulco, housing development does generate fiscal revenues such as construction authorizations and property taxes. This fiscal

local administrations are not rare in Nanjing and other major cities in the country. Urban development is a breeding bed for corruption in Nanjing as well. Both the Mayor (Ji Jianye, 2009-2013) and the Head of Party (Yang Weize, 2011-2015) in Nanjing during the social housing boom were removed from their position and arrested for corruption.

dependency explains the momentum for the continuing social housing boom during the Alfaro administration. However, the contribution of the construction authorizations and property tax to the fiscal condition of the municipal government was not guaranteed. The number of construction authorizations varied greatly from year to year. Revenues from property tax largely depend on the efficiency in tax collection (Mural 2004-03-22). When the Zermeño administration took office in 2004 among the 70,000 persons who were supposed to pay property tax, 30,000 were not paying it (or 40,000 lots in housing projects). Nor did social housing projects that were not yet approved by municipal government pay property tax either (Mural 2004-03-22).[133]

More importantly, what the prefectural government in Nanjing earned in urban and commercial housing development is the appreciation of land value when it is converted from rural to urban, or when the urban land is redeveloped. Government employs strategies such as public auctions of land-use rightsto maximize its market value. In comparison, construction authorizations and property taxes are only a minor share out of the rising land value, and their rate are not as sensitive to the market as land leases.

In sum, the political and the land regime lead to different roles played by local governments in urban and housing development. These political and the land regimes are largely the product of historical development of the policy. It should be noted that this research does not praise the Chinese model (to finance infrastructure and development projects with revenues from the rising land value), as it contains systemic financial risk, and it is exploitative in causing the (forced) relocation in low-income neighborhoods. As discussed in Chapter 4, the Chinese model is neither inclusive nor equitable, and lacks a mechanism that can hold the local authorities accountable.

[133] Also, the previous Guillermo Sánchez Administration did not update its cadastral base for a few years- the 2003 cadastral system was based on the land price of 1999; and the cadastral system was fraught with errors like a lot of 200 sq. m. being registered with a value of 25 Pesos (Mural 2004-03-03).

5.5. Conclusions

Different from the case of Nanjing, social housing development is commercialized in the Metropolitan Area of Guadalajara. The social housing boom in Mexico was promoted by a neoliberal national policy that favored deregulation and the participation of the private sector in addressing social demands (in contrast to state intervention and political corporatism in the previous era). In this context, local government in Mexico does not directly lead the social housing construction, but rather is supposed to regulate its development and provide necessary infrastructure and service. Unfortunately, as the case of Tlajomulco showed, public sectors at local level (municipal government, state government, agencies of metropolitan coordination, delegation of INFONAVIT) did not fulfill this role. Rather, they facilitated the expansion of real estate capital by turning a blind eye to the irregularities committed by the developers. In other words, the institutional failure at planning and regulating the market contributed to profits that the developers could make. Local officials advanced their personal interests, and it is the low-income dwellers who have come to suffer the precariousness that these social housing projects represent.

It was apparent that an ordered, sustainable urban development would require the synergy and coordination among governments of the three federal levels, developers, mortgage agencies and the citizenry, all under a well-designed and efficiently implemented regulatory framework. Despite the efforts of the recent administration in ending further social housing expansion, modernizing the governance and diversifying the local economy, deficits in infrastructure and service in the municipality are still rampant today and affect not only the social housing dwellers, but also people from the surrounding towns.

The different roles of local governments in urban development have much to do with the political and the land regime in China and in Mexico. As a result of historical development of the policy, local governments in China in the 1990s and 2000s inherited a peculiar land regime from the socialist past, and local authorities were able to convert land supply for urbanization into a finance machine. Revenues from leasing out land-use rightsbecame a parallel fiscal system, which assumed the bulk of the developmentalist

responsibilities. For this reason, local governments in China became more entrepreneurial, and assuming a more central role, in promoting urban development than their counterparts in Mexico.

As the Chinese and the Mexican cases show, a neoliberal urban policy facilitates the increasing capitalization of land by approaches such as de-regularization and promotion of the private sector. In a globalized world, the increasing fluidity of capital and the open-door policy of the national governments have undermined national borders to certain extent. In this context, local governments across the world may assume a unique and important role- they control or at least regulate the *locale* for accumulation process (expansion of the real estate, industrial, financial capital, etc.). The common challenge faced by policy makers and the civil society in both countries, as represented in the social housing development, is how to reinforce the institutional capacity of the local authorities, to widen their resources but hold the authorities accountable, and to make urban policy more equitable and inclusive.

Chapter 6. Social Interest Housing Challenges: the Residents' and Community Perspectives

Chapters 2 to 5 discussed social housing development in China and in Mexico from a structural and institutional perspective. Particularly, we focused on the government agendas in social housing development. This chapter will instead take a more grassroots perspective and focus on the conditions in social housing projects, and the experiences of the residents, as well as their responses to the dislocation and precariousness of their living condition. I will also articulate this with a brief discussion to the literature on housing rights/ right to city. Do social housing dwellers see improvement in their living conditions? As I discussed in previous chapters, both Nanjing and Guadalajara are going through a wave of increasing capitalization of the land and the expansion of the real estate capital. In Nanjing it is the local government that plays a central role in leading urban development and redevelopment, while in Mexico it is the (private) market that leads urban development, with the local government playing a role of regulator and planner in urbanization. Local governments in Nanjing and in Guadalajara appear to operate under different institutional frameworks and with different resources when it comes to housing development for the low-income urban population and in this chapter I will explore how these policy approaches lead to different conditions for social housing dwellers in the two cases. And more specifically, how far do the current models of social housing development in China and in Mexico represent an advance in housing rights.

This chapter will discuss the social housing projects in Nanjing and in Guadalajara separately, presenting the broad features about selection and dwellers occupancy, as well as the living conditions and the government-society relationship that evolves or is "constructed" in these housing projects. In the final section I will compare the two cases and highlight the implications of social housing development on low-income population's housing rights and welfare.

But before proceeding it is important to note that, as mentioned in Chapter 1, much of the data presented in this chapter comes from participant observation at the

neighborhood level. Although I do not intend to write a comparative ethnography here -- which is a limitation of this dissertation -- the fieldwork nevertheless provided me with a solid base to document the broad feature in terms of housing access and living condition in social housing projects in Nanjing and in Guadalajara. Particularly, I was able to validate the data obtained from other sources, such as archival data and interview with local authorities.

6.1. Social Housing Dwellers in Nanjing: Displacement, Dispossession, and a Precarious Modernity

This section will discuss how families get access to social housing in Nanjing, and the living condition and government-society relationship in the social housing projects. I will highlight how the relocation to a social housing project may represent various forms of dispossession. Note that in Chapter 4 we mentioned the typology of social housing in Nanjing in the 2000s and 2010s. In general, it is classified into two categories according to the ownership: economical housing (shared ownership between the government and the dweller), and public rental housing (public ownership).[134] The public rental housing is used to house the lowest-income urban population registered in the city with housing deficit. The economical housing is used to accommodate low-income urban population registered in the city and living in housing deficit, as well as other relocated low-income urban and rural households of the prefecture.

[134] The public rental housing in the 2000s and 2010s should not be confused with the public rental housing under the planned economy (1950s-1990s). While the public rental dwellings under the planned economy were a universal form of housing provision, most of them had been privatized and sold at a highly subsidized price to their occupants. The current stock of public rental housing is a form of poverty assistance and mainly targets the lowest-income group of the city's registered population.

6.1.1. Relocation and Displacement of Urban Households

In this discussion I will focus attention on urban relocations as part of the land development process. As Chapter 4 documented in detail, social housing development in Nanjing is promoted by the local government mainly as a policy tool for relocation for urbanization or urban redevelopment projects. The majority of the social housing dwellings constructed in the 2000s and 2010s in Nanjing were for relocation purposes.[135] The families whose homes were demolished for urbanization or urban redevelopment projects are able (theoretically) to use the monetary compensation from the local government to purchase social housing at a highly subsidized price. However, two further restrictions applied: first, the amount of social housing dwellings (often in floor area) that a relocated household can purchase is usually determined by the household size or the size of the original dwelling; and second actual selection of social housing project designated for relocation and housing purchase depends on the government.[136]

Given that social housing is often tied to relocation, it represents various forms of dispossession and deprivations. As documented in Chapters 2 and 4, the evolution of the

[135] Some low-income urban households living in deficient or precarious housing condition but who do not face relocation also wish to apply for social housing. Yet, as the local authorities prioritized the use of social housing for relocation purposes, social housing for the general low-income urban households is far from meeting the demand. The local government skillfully manipulates the criteria of eligibility for the welfare-type social housing. The eligibility requirement combines income, duration of being registered in the prefecture, as well as assets of the household. The limitation of household asset particularly keeps many low-income families living in the city center from being eligible, since their home, no matter how precarious and crowded is the condition, is usually valued high given the location (and thus the land value). Not only these rules narrowed down the eligible population into a reduced group of city residents, some of the eligible population does not have enough money to buy a social housing. In general, banks are reluctant to grant mortgage for social housing because of the socioeconomic condition of the homebuyer as well as the shared ownership of social housing.

[136] The prefectural housing bureau has the authority over social housing allocation. Usually, the authorities intend to assign the relocated families to a social housing project that is close to the original neighborhood/ community. Yet, this largely depends on the availability of social housing. In general, the in-situ relocation is feasible for the relocation of rural communities, since these communities were originally located outside the city. For urban relocated households, particularly those who previously lived in centric areas, in-situ relocation is impossible since almost all social housing projects are located in the periphery.

land regime in China since late 1980s reflects the reinforcement of the government control and the expansion of the government interest in land market. Local governments monopolized the land supply in the primary land market for urbanization, and then use the enormous revenues they extract from leasing out the land-use rights in order to finance infrastructural and developmentalist projects. This wave of urban expansion and spatial reorganization caused large-scale relocation of urban neighborhoods and rural communities. Yet, the legitimacy of the relocation process has been highly contested (Fang 2012). Legal and regulatory frameworks established that a relocation should be for "public interest" (Prefectural Government of Nanjing 2010, 2017). However, this term is rather vague especially in so far as the "public interest" extends to the construction of a luxurious upper-class gated communities (as sometimes happens). It seems that for the local government, any urbanization/ urban redevelopment project that the government approves or promotes is for public interest. And what if people simply do not want to be relocated? In these cases what compensation can be considered as just and fair?

The current arrangement of land expropriation and relocation, in both urban and rural areas, represent various forms of dispossession and exploitation against the affected households and communities. Communities and households who were to be affected by relocation saw housing rights reduced, especially in terms of their power and participation in the relocation decision-making limited process (Sun 2010). They cannot negotiate *equally* with the government or the developer to decide whether the land expropriation should occur, and under what conditions they want to be relocated. Rather, these are imposed by the government.[137] Should a negotiation over the compensation fail, the affected households can apply for administrative reconsideration and then the administrative litigation. But even in this case, the government can still first demolish the

[137] It has been noticed that the local government has concentrated too much power in decision making regarding relocation. Some scholars suggested that public hearings, local legislature (People's Assembly) and the court should play more important role in check and balances in this affair (Fang 2012).

building and expropriate the land during the litigation (see Prefectural Government of Nanjing 2001, 2003, 2004, 2007, 2010).[138]

As a result, rural and urban households who were to be relocated for urbanization and urban redevelopment project are systematically excluded from the rising land value in the land market. It is estimated that, in the early 2000s, when the rural collective land was expropriated and converted to urban land and leased out for commercial real estate development, peasants' share in the revenues could be well under 10% (Ye 2008: 95; Wang 2013: 17). Since 2004 government policy in Nanjing established that the monetary compensation should take into consideration the market value of the original dwelling by reference to the housing price in the secondary housing market (not new commercial housing) in the surrounding area (People.cn 2003-12-31). However, this valuation is based on the value of the pre-relocation dwelling, not the rising value after the land is redeveloped. In short the compensation for a relocation in the urban setting refers to the value of the dwelling, not the land upon which the dwelling is set. Although all urban land in Nanjing publicly owned homeowners' usufruct rights are not considered in the compensation.

Although governments of different levels have implemented regulatory frameworks regarding relocation and compensation and make them appear to be "fair" and "transparent", in reality these frameworks only established some general principles and the procedures for land expropriation, compensation and relocation. Specific compensation decisions are made separately and vary from place to place (for example, among the districts). In some occasions, local government failed to keep the compensation values updated and in the city proper of Nanjing in 2003 land value appraisals were based upon those established in 1998 and had not been updated (Southern Weekly 2003-09-04). In the case of the Dengfuxiang neighborhood, where the tragic self-immolation of Mr. Weng Biao took place (mentioned in Chapter 4), the compensation was set to 3,370 yuan per sq. m.,

[138] Regarding land expropriation in the rural communities, "disputes around compensation should not impede the implementation of the development plan on the land" (Prefectural Government of Nanjing 2004). This principle was reiterated in 2007 and 2010, and was only partially removed in 2015 (Prefectural Government of Nanjing 2007, 2010, 2015).

which given that many families lived in dwellings as small as 20 sq. m., meant that they could at most receive a compensation of 67,400 yuan. At that time a used housing price in that area was around 5,000 yuan per sq. m,[139] and social housing at the periphery sold at about 2,400-3,200 yuan per sq. m. Thus the monetary compensation was insufficient for either option (Xinmin Weekly 2003-09-03, Southern Weekly 2003-09-04). In 2010, the Ministry of Land and Resources (2010) ordered that local authorities should update the compensation terms every two or three years to keep pace with the local socioeconomic condition. However, as late as in 2018, the compensation levels in the Lishui District remained the same as in 2011 (Xinhua Daily 2018-07-23).

The tragic incident of Weng Biao in 2003 led to several policy changes in Nanjing regarding land expropriation and relocation. A minimum amount of compensation was established, and for the relocated families who cannot afford a dwelling with their monetary compensation, they could apply for social housing. Since 2004, the evaluation of value of the original dwelling, which is the basis for the compensation, has been subcontracted to external real estate appraisal offices (Jiangnan Times 2003-12-09). This is supposed to make the evaluation more "neutral" and reflect the market value of the original dwelling. Yet, these external offices have to be approved by the local government, and the technical protocols of evaluation are established by the government putting in question the independence and neutrality of the evaluations.

In addition to the small size and the deterioration, some historical factors can also lead to a low appraisal of the dwelling's value and further reduce the monetary compensation that a family can receive. Some dwellings were self-built and expanded informally without proper paperwork. This was a common practice under the planned economy when private property was expected to disappear and individual full land titling was not a serious issue. Yet the area that was not included in the title and was not counted in the compensation. In addition, dwellers in old public rental housing (see figure 2-N

[139] This was not an isolated case. According to the government's own research, at that time it was common that the compensation for relocation was 500-1,000 yuan per sq. m. below the price of a used housing in the surrounding area (Modern Express 2003-10-10).

above), were required to remit 10% of the compensation money to the municipal housing authorities.

Not everyone opposed relocation, of course. Some welcomed it as probably the only chance for them to move out of the old, precarious shantytowns. Others who obtained a relatively large sum of monetary compensation managed to purchase commercial housing, and expected to enjoy rising home value in the future. However, low-income neighborhoods are most likely to be the target of the relocation actions (see Chapter 4). For the majority of these relocated households a social housing project at the periphery means a loss to the previous easy access to urban infrastructure and workplace, rising living cost, a rupture from their previous social circle, as well as a radical and often undesirable change of life-style. All these generate frustration, complaints and social discontent, notwithstanding the new dwelling.

Even after receiving notice of relocation and allocation of social housing it usually takes another 3 to 5 years for them to actually move into their new home. Construction often lags behind due to delays in land acquisition, and modifications of the construction plan.[140] In other cases, the project is not accepted by the government due to various forms of irregularities that are identified. In the most extreme cases, it took up to 9 years for the families actually to move in the social housing assigned to them (Xhby.net 2016-01-03). In this process, although the government has the responsibility of subsidizing relocated families' expenditures such as rent, the subsidy may not cover the entire rent. The construction of the four mega social housing projects in Nanjing was supposed build a large housing reserve and to resolve these delays, but the fact that the government was so strict

[140] For example, in a neighborhood in Baixia District that was demolished in 2007, neighbors were promised to move in their new dwelling in a social housing project in Lianhua Xincheng in 2009 yet it was not until 2013 that the construction was completed. In this process, the construction cost increased significantly, which translated into an increase of 2,300 yuan per sq. m of the final sales price. There was a discrepancy between the district government and the developer over who should be responsible for the price increase, which further delayed the move-in date (Yangtse Evening Post 2013-06-26).

on keeping to the deadline of demolition but generated much sense of injustice among the relocated families.

In most cases, local authorities in Nanjing are able to impose its will over the neighborhood that they decide to relocate as well as powers to enforce relocation even before the administrative litigation ended. Local government officials employ a wide range of tactics to reduce possible resistance. They use co-optation and create divisions among the neighbors to impede any possible collective actions. They promise reward to those who accept the compensation and move out before the deadline.[141] Occasionally, despite being forbidden by law, they even use extra-legal means to threaten and force neighbors to move out: cutting the electricity and water supply of the neighborhood, hiring thugs to harass the neighbors, damaging the built environment of the area and made it unlivable etc. (Boxun News 2003-12-05, Modern Express 2010-09-14, YNET.com 2013, also the author's own interviews in the fieldwork). Local officials even wrote a book titled *Handbook for a Harmonious Relocation* to summarize a myriad of methods that local task forces can employ to persuade neighbors to relocate. For example, it listed as many as 18 methods for the negotiation (Wang and Zhou 2010, Chapter 7, Section 3), and how to observe and control the other party's psyche (ibid. Chapter 6, Section 3).

Rather than the natural outcome of a neutral bureaucratic/ legal process, relocation is often the result of tensions, negotiations and confrontations, which largely reflect state-society relations at the local level. It is widely documented that village cadres or the director of the relocation taskforce committed crimes such as embezzlement of compensation allocated by the upper-level government, or receiving bribes to favor some to-be-relocated families.[142] Communities and households may resort to a wide array of actions to resist the

[141] Recently, in Qinhuai District, local authorities divided the to-be-relocated neighborhood into groups of 30 families. Each family could obtain an award of 50,000 yuan, if only all the families of the group accepted the compensation terms and moved out by the deadline (Nanjing Daily 2016-02-22).

[142] In the first 6 months of 2012 alone, 26 officials were found to be involved in corruptions associated with relocation and combined to misappropriate 8.14 million yuan (Yangtse Evening Post 2012-07-06).

dispossession or at least to occupy a favorable position in the negotiation over compensation. Rumors circulate regarding the rules of compensation, real or fake. As the household size and the size of the original dwelling are the key determinants of the sum of the compensation, some faked divorce before the expropriation[143] and others rushed to expand their dwelling with provisional materials before the taskforce came to measure it. Some even hired "professional" brokers to negotiate with or pressure local officials for better compensation terms (Procuratorate Daily 2005-06-08, Nanfangdaily.com 2010-07-16, also the author's interview in the fieldwork).

Incidents of severe confrontations between the local authorities and the community/ relocated families are widely reported nationwide, and relocation of rural and urban households for urbanization and urban redevelopment projects has been a foci of government-society tension since early 2000s (China Business Times 2003, Ye 2008, Wang 2013). However, their lack of rights, the meager compensation received from the local authorities, the rising land value after the expropriation, and their relative weakness in the process of negotiation reinforces a perception of dispossession and deprivation and contribute to the exclusionary tendency of the government-led spatial reorganization of the city.

[143] This practice has been documented in various former villages in the prefecture. The rationale is that it will create a separate household within the original dwelling, and the two households can combine to obtain more compensation and will be allowed to obtain more social housing in floor area. The divorced couple is supposed to remarry after having obtained the compensation. For a village in Pukou District in 2017, villagers can obtain 131 thousand yuan more in monetary compensation and 70 sq. m. more of social housing through divorce, and so most of the couples got divorced (Nanjing Morning Post 2017-03-02). Similarly, in a village in Jiangxinzhou Subdistrict, a couple can obtain 30 sq. m. more social housing through a divorce (Beijing Morning Post 2016-09-02, also in the author's own interview in the fieldwork).

6.1.2. The Nature and Relative Quality of Social Housing Projects in Nanjing: Modernity, Irregularity and Precariousness.

A sharp contrast between social housing projects in Nanjing and those in Guadalajara is the skyline: social housing projects in Nanjing are formed by multi-storey buildings or high rises, whereas those in Guadalajara are formed by single-family dwellings or, less frequently though, multi-family apartments of less than four storeys. This contrast nevertheless reflects the same logic for low-income housing development in these two cases: to minimize cost. To reduce the cost of building a certain amount of dwellings, developers can either reduce the construction costs or those of land acquisition. In Tlajomulco land is relatively cheap, and developers' main concern is to minimize the construction cost, primarily through single-family housing (author's interview with developers). In Nanjing where land is expensive, although the construction cost of highrise housing is much higher (e.g. requiring the installation of elevator), it actually reduces short-term opportunity cost for local government by minimizing the territory occupied by social housing projects.[144] This is also reflected in the trend that the most recent social housing projects in Nanjing are more likely to use highrise than earlier ones (Zhang, unspecified year).

Yet, the high-density built environment often leads to insufficient public space and isolation (Illustration 6.1). Particularly in the cold winters dwellings often lack access to sufficient sunlight, to the degree that can be detrimental to health, particularly for those who live in lower floors.

Moreover, the construction quality of social housing varies. Social housing projects constructed by district government in early 2000s are of the worst quality. Substandard-quality materials were used to minimize construction costs and wall cracks, falling ceilings, and leaking during the rainy season were frequently reported (Yangtse Evening Post 2011-

[144] As mentioned in Chapter 4, in contrast to commercial housing development, social housing projects are exempt from land use fees, which are important revenue sources for the prefectural government.

07-26, 2013-04-12; Nanjing Morning Post 2014-12-14). This situation is alarming given that all social housing projects in Nanjing today comprise multi-level buildings or high rises. A structural failure of these buildings can potentially cause damage on a much larger scale compared to single-family homes. It is even more disturbing to think that the oldest among these buildings has only a history of 15 years.

Illustration 6.1. The High Density of Social Housing Project: Project Maigaoqiao, Nanjing (photo taken by the author)

Elevators are critical for residents and in peak hours congestion occurs over the use of elevator, often made worse by the high failure rate of the elevators. Today, social housing projects concentrated the worst elevator failure rates in the city.[145] Not only were these elevators of bad quality when they were purchased and installed (particularly the cables that carry the elevator car and the waterproofing in the elevator well), they are

[145] According to official statistics, in 2014, four of the six (and the first three) housing projects with highest elevator failure rates in the city were social housing projects. In that year, Project Yinlong Huayuan, with 199 elevators, had a record of 55 accidents of trapping users inside (The Paper 2015-07-30).

constantly over-used (as the elevator-dwelling ratio was set too low[146]), and they lack sufficient and proper maintenance.

As we shall observe below, similar to the situation in Tlajomulco, social housing dwellers in Nanjing have to face deficits in various aspects are reported, including public transportation, road network, banks, hospitals, public space, commercial facilities, cultural and recreational amenities. Quite often, infrastructure had not been completed (or planned) before dwellings were assigned and families moved in.[147] Installation of new infrastructure is exacerbated by the cumbersome bureaucratic procedures regarding changing the original construction plan. For many of the families that were relocated from the urban center, these deficiencies clearly marked a downturn of their living standards and a rise of living costs.

As the city continues to expand fast, some early social housing projects have become integrated into the city, and now have access to metro and large commercial complexes. In recent years, the prefectural government has sought to expand the existing infrastructure of the social housing projects to the surrounding area, and in this way raised land values to attract other real estate projects. This is also a strategy by the local government to recover its investment in the social housing development, which motivated through the delivery of service and infrastructure. Near the Project Huagang, a commercial housing project has been constructed to take advantage of the existing infrastructure of the social housing project. Leases of the commercial space in the social housing projects are

[146] Project Lianhua Xincheng, located in Jianye District, was inaugurated in 2013 May. By the end of the year, the high failure rates of the elevators in this project had attracted media's attention. For the high rises, usually approximately 150 families shared two elevators, and the maximum capacity of the elevator was 6 persons. If one elevator malfunctioned, the other was even more prone to malfunction as well due to over-use. It was found that over 20 of the 58 elevators in the Project did not have proper waterproofing in the elevator well, and for this reason the property management company in charge of the maintenance of the buildings refused to provide service (Jschina.com 2013-12-12).

[147] Project Yaoshun Jiayuan, which accommodated over 4,000 relocated families, did not have any large supermarket or food market nearby for two years. A commercial space that measured 2,000 sq. m. were built. As it was state asset, the space had to be leased out in public auctions in which at least 3 companies participated; yet, the socioeconomic condition of the project did not appear attractive to the large businesses (Vojs.cn 2013-05-24).

also supposed to at least partially cover the costs of maintenance of the projects (author's interview with local businesses).

In the Daishan area where several social housing projects are located providing over 38 thousand social housing dwellings and home to over 150 thousand people, the social infrastructure deficits persisted. By 2014, after large amount of relocated families had moved in, there were only two small bank branches in a town several kilometers away, and residents often had to travel hours to the more centric part of the city for banking affairs. In the public plaza, there was no public toilet (and to build them would require a time-consuming bureaucratic procedure, since they did not exist in the construction plan). There were only community clinics in the area, but not large hospitals. The elderly or those with chronic health issues still had to go to large hospitals in the city center should any urgency occur. Projects such as Xishan Huayuan are only poorly connected to the city, since such connection is intercepted by several traffic bottlenecks and up to 7 railway level crossings (Modern Express 2014-04-13, also the author's fieldwork).

Not surprisingly, despite the strict government regulation against informal economic activities (such as food vendors) prevail in new social housing projects. Some have the tacit consent from the local authorities as a practical solution to the deficit in commercial facilities. On other occasions local authorities simply do not have enough personnel to enforce regulation.

Relocated rural households often found it challenging having to change their lifestyle. In my fieldwork, I heard frequently comments such as "Old peasants do not know how to ride the elevator". "Previously they had a patio in their home, and now they just don't have enough space to have fun". "Old people relocated from the village died quickly after they moved to the social housing project". Previously, peasants grew their own vegetables and got water from their own wells. Now all the aspects in daily life are monetized -- "from you open your eyes when you wake up till you lay down at night, you have to pay for everything". Despite the ban, former peasants converted the "modern" city gardens in the social housing projects into little urban farms (Illustration 6.2). They gather

in the few public spaces and play cards -- indeed card rooms became a quite profitable business in social housing projects, since for many dwellers, it is one of the few accessible and affordable forms of recreation.

Illustration 6.2. Park in a Social Housing Project Converted to Farm of Vegetables (photo taken by the author)

Illustration 6.3. A Balcony Converted into a Corner Store and a Dry Cleaner (photo taken by the author)

Ironically, titling has been an issue for households who were relocated to a social housing project. A local official admitted that in the social housing projects constructed in early 2000s, it took on average five years to obtain the title after the relocated families moved in, much slower than commercial housing. Only in recent years, the titling process speeded up (Modern Express 2015-08-19). A few of the older social housing projects cannot be properly titled despite the fact that they are government projects. Developers were found to have illegally modified the construction plan or failed to meet the standard established in the regulatory framework, such that the Land-Management Bureau of the Prefectural Government refused to issue land-use title to homeowners.[148] Often, as the district government that was in charge of these projects rushed to meet the goal of construction, it bypassed the proper procedure of land expropriation and sales. This can be further complicated if the developer became bankrupt or the construction of the project was transferred to a different developer.[149] The titling problem affects thousands of families for years, and many cases still remain unresolved. These families cannot update the household registration to their new dwelling, which caused further problems (for example, their children's access to school). Another problem is that although owners are allowed to sell after 5 years from acquisition, the lack of final title significantly affects their market value.

[148] In Project Yinlong Huayuan, the developer illicitly constructed more dwellings than established by the construction plan in order, hoping to sell these extra units for profit. As this was discoverd, the Land-Management Bureau refused denied land titles to the project. Note that those extra units for sale did not have proper titles either, which coincide with the concept of "unauthorized commercial housing development" that was discussed in Chapter 4. Similar was the case of the Project Longpan Heyuan, the developer illicitly modified the original construction plan of two buildings for relocated families from 13 storeys to 27. The developer also intended to sell the extra dwellings. However, as the metropolitan government did not approve such practice, the 275 families who were allocated dwellings in these two buildings could not move in. They had to find other accommodations on their own account for up to 4 years after their original home was demolished (Nanjing Morning Post 2014-05-22).

[149] This is the case of Project Chunjiang Xincheng, which housed over 7,000 families. The construction of the project was transferred twice to different developers, and some debt issues between these developers remained unresolved for years. The original construction plan was modified without authorization (for example, commercial facilities were constructed on land that was established for green space), and the project failed to meet regulation regarding daylighting and the distance between buildings (the author's interview. See also Jinling Evening News 2014-11-14).

Many families that intended to sell these properties (because they urgently needed money or wanted to buy a better dwelling) had to sell them cheaply (People.cn 2015-12-28). The repeated false promises from the government have particularly damaged the credibility of the local governments, further triggering social discontent among social housing dwellers.

6.1.3 Governance and Administration Challenges

Social housing became a sorting mechanism that largely concentrates low-income relocated urban families and former peasants. Moreover, most of the social housing projects are located in peripheral districts (such as Yuhuatai and Qixia) that are traditionally poorer compared to the more centrally located ones (such as Gulou and Xuanwu). District and sub-district governments have to deal with the consequence of the influx of the low-income social housing dwellers. Tiexinqiao Sub-district, for example, had a registered population of between 20,000 and 30,000 before the construction of two major social housing projects, Chunjiang Xincheng and Jingming Huayuan. These two projects combined to home 60,000 to 80,000 people relocated from all the districts of the Prefecture. By 2005, 60% of the households in these two projects were recipients of social assistance, and 80% were classified as low-income (interview with local officials).

Usually housing projects in Nanjing (both social housing and commercial housing) are maintained by real estate/ property management companies. Homeowners are expected to form a committee and decide which company to hire. Homeowners are required to pay a maintenance fee to the company that is determined by the condition of the complex and the floor area of the dwelling, and this is also supposed to be the case in social housing projects. However, the collection of the maintenance fees in social housing projects is often very poor, to the degree that no private company wants to serve these projects. In this scenario, the sub-district government has to step in and take responsibility. This will remain a major challenge for the future, since the maintenance of highrises is very costly.

Illustration 6.4. Subdistrict Authorities Installed Some commercial Locals at the Project Jingming Jiayuan and Leased Them to Low-Income Dwellers (photo taken by the author)

Illustration 6.5. Entrance of a Social Housing Project in Nanjing (Some low-income dwellers were allowed to put their small business at the social housing project, and they were also expected to keep an eye on the entrance of the project; photo taken by the author)

The deficiencies in and around social housing projects are translated into rising living costs, worse living standard, exhaustion and stress. People's previous social networks were torn apart, and new arrivals had to go through a great change in their life styles. There is in general a lack of identify of the place and social cohesion is low. Not surprisingly, public security in social housing projects is more problematic than commercial housing projects. Conflicts among neighbors occur quite frequently and petty thefts are widespread. Illegal businesses such as pyramid schemes found social housing projects an ideal place to operate and expand, taking advantage of the availability of cheap renting opportunities, lack of policing, and weak neighborhood social cohesion. It was reported that in 2016, over 10,000 people were involved in pyramid schemes in Qixia District, particularly in the social housing projects. It took the local authorities 19 months to eradicate these illegal businesses (Yangtse Evening Post 2018-04-19).[150]

Political and social stability in social housing projects is among the top priorities for local authorities.[151] As in other places, local authorities are evaluated for the political and social stability in their jurisdiction (Prefectural Government of Nanjing 2010b). However it is more challenging in social housing projects given that many of the dwellers moved in already discontented over the relocation and local public security is often problematic. Occasionally collective actions occur on issues such as compensation terms for relocation, demolition of unauthorized expansion of the dwellings, removal of informal transportation etc. In other cases, individuals go to make a complaint on relocation to upper-level government (even to the central government in Beijing). These cases affect

[150] Instead, a lot of the pyramid scheme businesses now operate in Daishan, another area that concentrate a large amount of social housing projects (JSTV.com 2017-08-18).

[151] The tragedy of Mr. Weng Biao and the nationwide attention on the scandal not only forced the prefectural government to revise its relocation policy and to reduce the relocation actions in the following months, but also reminded local officials the power of news media. Ye Hao, the head of the prefectural publicity department of the Communist Party, wrote a book on the so-called "government journalism studies", in which he lamented the fact that the "fake news" affected the progress of relocation city-wide and thus the urban development (Ye 2006). According to Ye Hao (2009), negative news reports as a percentage of all news reports in Nanjing fell from 45% in 2004 to 10% in 2008.

negatively local authorities' evaluations, and the response of is increasing surveillance, [152] particularly on sensitive dates such as the national day and the New Year, or when important events are held in the city.

Local authorities made attempts to organize the social housing projects by highlighting the participation of the local communist party members and fomenting volunteer groups. Cultural events are hold to foment local identity. They also provide some limited assistance to low-income families, for example, constructing commercial space and renting them to the low-income families, who then operate small businesses such as food places; and assigning some temporary low-paying jobs such as community guards and janitors (Illustration 6.4, Illustration 6.5). Nevertheless the impacts of these minor scale operations are limited and the improvement in social housing projects still requires the reduction of service and infrastructure deficits and job creation in or close to the social housing projects.

In sum, the fact that social housing allocation is closely related to urbanization-related relocation reflects the paternalistic nature of the social housing policy in Nanjing. Relocation and the compensation terms are imposed by the local authorities and relocated families have very limited negotiation power in the process. Moving into a social housing project often means a loss of previous access to urban infrastructure and service, as well as one's social circle, which leads to rising living cost and a sense of alienation. Fomenting social cohesion, reducing deficits in infrastructure and service, dealing with concentrated poverty and long-term maintenance of the projects remain highly challenging commitments for the local government.

[152] For example, cameras and entrance control were installed. To eliminate the pyramid schemes in the social housing projects, sub-district authorities built a large data-base to register the tenants' information, if the social housing dwelling was leased out by the owner (Yangtse Evening Post 2018-04-19).

6.2. Social Housing Dwellers in Guadalajara: Mortgage Debt, Precarious Living Condition and Informality

This section focuses on how social housing dwellers in Guadalajara obtained their property and their experience of living in a social housing project. I highlight that they were driven to live in a social housing project by structural forces. In the 2000s, the mortgage system reduced its entry bar for the low-income working class and converted this group into its new target of expansion. Nevertheless, it also disproportionately imposed a variety of risks to low-income borrowers. I also document several major deficits that many social housing projects are exposed to, and how dwellers and local authorities respond to the deficits.

6.2.1. Housing Acquisition: a Relocation Driven by Structural Forces

In contrast to the Chinese case where relocated households were assigned to social housing by the local government, in Guadalajara, the acquisition of a social housing dwelling takes place in a formal but segmented housing market. Unlike self-built housing between 1950s and 1980s that mostly accommodated rural migrants working in the informal economy (see Chapter 2), social housing targets low-income urban population working in the formal sector. The social housing boom in the 2000s is also closely associated with **intra-**urban migration (note that the population growth rate of the Metropolitan Area of Guadalajara is only moderate, around 1.5% to 2% in the 2000s and 2010s, see Figure 5.3). Most of the social housing dwellers in Tlajomulco were from the rest of the Metropolitan Area of Guadalajara.

I argue that the social housing boom in the 2000s is closely associated with family dynamics and household living arrangements among the urban working class. In particular these are the second or third generation of the original settlers in informal settlements who, thirty or forty years later, are forming their independent household or seeking to improve their living conditions (sometimes even fleeing the violence of the previous neighborhood).

In many Latin American cities, residential mobility and turnover rates in self-help informal settlements built in the 1970s and 1980s remain low, due to its high use value and the original settlers' inheritance expectation (Jiménez Huerta and Padilla Etienne 2007, Ward et al. 2011, Ward 2012). Based on her observation in Mexico City and Guadalajara, Varley (2017) argued that unless the location is of exceptional commercial value, in general, consolidated self-built settlements are not appealing to the real estate capital for gentrification. In Mexican cities, we have not seen the same kind and scale of government-led urban redevelopment that is common to Chinese cities in the 2000s. That said, self-built homeownership, while offering tenure security and stability to the urban poor, also leads to a high level of immobility which may hinder the socioeconomic mobility of this sector (Gilbert 1999).

In the 2000s, of course, other housing options remain valid: renting, the expansion and remodeling of the existing dwelling of the family, and self-building (in this way reproducing first-generation settlers' path to homeownership). However, the social housing boom offers a *fast-track* alternative of residential mobility for the urban working class. Home seekers purchased a social housing dwelling to leave a patrimony for their offspring or to invest in an extra asset. Many of them no longer want to follow their parents' approach to homeownership through the hardships of self-building in peripheral environments with limited or no services. This change in housing preference is largely due to two reasons. First, self-building takes relatively a long time span to consolidate and requires investment in one's own labor and mobilization one's social network, while social housing is an already-made home. Second, the fact that developers obtained large land reserves in the periphery for social housing development, together with stringer planning restrictions on informal settlements, somehow squeezed out self-building as an affordable housing option.

On the daily and micro level, in the metropolitan area of Guadalajara, propaganda of social housing is to be found everywhere -- advertisements painted on public transportation, information kiosks of the developers in the street market, posts pasted on electricity poles, etc. These publicities promote the idea of "build your own patrimony", "housing with formality and modernity", "independence from the extended family (or from

the in-laws)", and "no need to pay rent anymore" (Illustration 6.6). Salespersons promote their product by highlighting the modernity that the social housing project represents. Social housing projects are portrayed in commercials as fully-equipped with schools, public space, greenspace, public transportation and easy access to the major road network and commercial complexes etc., often with varying level of exaggeration. This type of promotion speaks effectively to the aspiration of potential homebuyers (formality, financial security, independence etc.).

The salespersons of a social housing project can assist home-seekers to identify the form of housing finance and the amount of the mortgage they can contract from the financial agency.[153] If the home seeker works in the formal sector (and is thus affiliated with INFONAVIT), the eligibility and amount of a mortgage is calculated with a formula that take into account factors such as the affiliate's age, duration of employment, salary, and the current INFONAVIT account balance. (The employer is supposed to deposit 5% of the employee's monthly salary into the latter's INFONAVIT account.)[154] Low-income homebuyers can also obtain a subsidy from the federal government on first-come-first-served basis.[155] This can also be done through a local INFONAVIT branch where the

[153] Some social housing homebuyers contracted mortgages with other housing finance agencies, such as FOVISSSTE, commercial banks and SOFOLs.

[154] The INFONAVIT has a score system to determine the affiliate's eligibility of mortgage. The total score is calculated by adding up the scores assigned for (1) age and salary, (2) current balance in the individual account, and (3) the duration of being employed. The score for each of these items is established in a table, which is also available on the official website of INFONAVIT (http://portal.infonavit.org.mx/wps/wcm/connect/11ad3211-f5e7-4674-aee4-735e466fd7cb/Tabla+de+puntuaci%C3%B3n.pdf?MOD=AJPERES). An affiliate is eligible for a mortgage if his/her total score is over 116. For example, an affiliate aged 26 who earns 2 times the minimum wage (60 points) and has stayed employed for two years (38 points) will have a balance that equals 2.4 times minimum wage in his/her INFONAVIT account (2 times minimum wage*24 months*5% = 2.4 times minimum wage, which earns him another 31 points). This person's total score will be 61+38+31=130, which is sufficient for him/her to qualify for a mortgage. Although the amount of mortgage is unlikely to be large, the entry barrier is low.

[155] The eligibility and amount of subsidy depends on the income of the homebuyer, as well as the quality and value of the dwelling. In 2013, the maximum amount of subsidy was 33 times of the monthly wage of Mexico City (SEDATU 2013), which roughly equaled 64,000 Pesos (calculated according to STPS 2013). This amount could be over 20% of the price of a social housing dwelling in Tlajomulco.

affiliate can find out his/her possible housing options. Usually, for the mortgage they can contract the only options they have are the social housing located in the far periphery, where homes valued under 300,000 Pesos (approximately 16,000 dollars) were still available in the 2010s.[156] Salespersons get commission based on the number of properties they sold, which motivate them to engage in a very proactive commercial campaign. They distributed flyers with their name and phone number printed on them and posted on social media the information of the properties on sale.[157] A woman shared with me her story:

"We used to live in my parents' home and a sales manager knocked at our door to promote their project. I said well this place looks great but I do not have the money for the 5,000-peso down payment. The manager offered to personally lend us that sum of money so we could buy the property. And we did. That's how we came to live in this neighborhood".

[156] For example, around 2008, a social housing dwelling was sold at around 280,000 Pesos in Project Silos. Silos became one of the most problematic projects in the municipality, but yet, it was what low-income urban class could afford with their INFONAVIT mortgage (or combined with a federal subsidy).

[157] I also heard stories such as salespersons obtained a list of INFONAVIT affiliates from insiders and went to knock at people's door to promote social housing. Some salespersons intended to persuade the home-seekers that they should use their INFONAVIT credits; otherwise they argued it would be their loss (inaccurate since even if they do not apply for an INFONAVIT credit they can still withdraw the money from their account when they retire).

Illustration 6.6 Typical Commercial Flyers of Social Housing on the Street (photos taken by the author)

Although social housing in Mexico is commercial, social housing dwellers were brought into the social housing projects driven by structural and ideological forces, as well as techniques of commercial promotion that is unknown to housing transactions in informal settlements. The structural factors consist of the lower entry-barrier and the availability of mortgages, as well as the fact that social housing projects have, to certain extent, squeezed

out other affordable housing options such as self-building. To a certain degree, social housing represents a "realistic" and tangible option to fulfill one's aspiration to homeownership. Meanwhile, the ideological campaign on homeownership and housing finance also lure people into the social housing system. In quite a few cases, potential homebuyers were misinformed regarding their INFONAVIT credit and the condition of the social housing project.

Some social housing homebuyers modified, remodeled or expanded their current dwelling by adding an extra room, fences for protection, a garage or a second floor. Others even converted part of the dwelling into a business space (such as corner store, food place, real estate agency, or even a gym). This is also similar to the progressive consolidation in the self-built informal settlements. That being said, I argue that what fundamentally distinguishes social housing projects from informal settlements is the financial experience of the homebuyers. In informal settlements, settlers self-built their homes when one's own resource is available (or one can mobilize from his/her social network).[158]

In social housing projects, the acquisition of social housing is done by contracting a mortgage with financial agencies. Traditionally, one of the major barriers for the low-income population to obtain access to formal housing was their disadvantaged position in the market of housing finance. The mortgage boom in Mexico since late 1990s reduced that barrier and mainly targets low-income population for whom commercial banks had little interest. Yet, this mortgage regime is exploitative mainly for three reasons. First, in the long term the mortgage is not as affordable as it appears at first glance, if we take into account that repayment period of an INFONAVIT mortgage is up to 30 years. Homebuyers can be trapped into a long-term debt-servicing commitment while the property is poorly built and served.

[158] Note that although agencies such as INFONAVIT also offer mortgage for self-built housing on one's own lot, this line of mortgage has never been the mainstream.

Second, the system deliberately and disproportionately impose risks on homebuyers, rather than developers and the financial agency. It does so in several ways:

- While the financial system assumes that the low-income urban working class can fulfill their monthly payment obligations, in reality, the labor market in which this sector is situated is highly (and increasingly) volatile. In events such as a job loss, the mortgage holder is very likely to miss monthly payments and generate interest payments. The system is highly punitive against late payments and non-performing loans.
- Until recently, the INFONAVIT mortgage was indexed into times of minimum wages. While this practice minimized the risk for the financial agency, it is the borrowers who pay the price of the macroeconomic fluctuations. For those who contracted a mortgage with a private lending agency such as a SOFOL, their situation can become worse as the mortgage is denominated in units of investment (UDIs), and thus transfers the cost of inflation completely to the borrower.[159]
- The employer has the obligation to deposit a sum of money that equals 5% of the employee's salary into employee's INFONAVIT account every month. If the employee contracts a mortgage with the INFONAVIT, the employers' deposit will be used as part of the monthly payment. The employee has the right to report to the INFONAVIT if the employer omits a deposit. Yet, in many cases, the employee may not be aware of such omission. This results in missing payment and will generate further interest payment for the borrower.

To further complicate matters, many low-income mortgage borrowers do not possess full knowledge of the legal terms when they signed the mortgage contract. Developers and financial agencies often take advantage of this vulnerability. For example, HOMEX made homebuyers in Project Hacienda Santa Fe to sign a contract which stated

[159] In April 4, 1995, a UDI was set to value 1 peso. The nominal value of UDI increased to 2.67 Pesos in January 1, 2000, 3.54 Pesos in January 1, 2005, 4.34 Pesos in January 1, 2010, and 5.27 Pesos in January 1, 2015 (source: Banco de México, Sistema de Información Económica, http://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CP150&sector=8&locale=es). This means that the balance of the mortgage that a homebuyer contracted in early 2000s can increase after years of monthly payment.

that all the legal affairs regarding their dwelling should be resolved in the court in Culiacán, Sinaloa (the headquarters of the developer). In other words, homebuyers will have to travel from Guadalajara to Sinaloa should any legal issue arise (see La Jornada 2006-05-18). When non-payments lead to legal litigation, the low-income borrowers often do not have the resources to complete the legal process, or are simply not aware of what is happening and the consequence of each step. Mortgage agencies, including the INFONAVIT, subcontracted the legal service such as foreclosure to external, private law offices. The threat of foreclosure is real: these external legal offices are frequently reported to harass the mortgage borrowers who are in legal trouble by repeated phone calls and threats (interviews with mortgage borrowers, also see Spiller 2010, Proceso 2013-12-14).

The volatility of the labor market, the exploitative and punitive terms of the mortgage as well as the misinformation, combine to generate a huge financial risks for the homebuyers of social housing. The long-term cost of the mortgage stands in sharp contrast to the precarious condition in the social housing projects. Quite a few homebuyers have resold or leased out their property. Some have abandoned their dwelling, and others lost their home (and their investment in the property) in foreclosure. In other words, the so-called formality does not automatically mean tenure security.

For the social housing homebuyers who fail to fulfill their monthly payment obligations, many actively seek to protect their property by resorting to the different institutions. The INFONAVIT has an office that helps mortgage borrowers to deal with the non-payment problem. In the event of a job loss, the borrower can apply for a grace period of non-payment for up to a year. However, this generates higher interest payments for the borrower in the future and thus only temporarily postpones the debt repayment obligation. In certain scenarios, mortgage borrowers in financial hardship can also negotiate with the INFONAVIT to restructure their debt. Some lawyers provide service to apply for an "amparo" (legal injunction) on behalf of the mortgage borrower in order to avoid or postpone foreclosure. Finally, civic organizations such as El Barzón use collective actions to pressure on the mortgage agencies, in order to restructure the mortgage terms and

eventually secure the title of the property. The Barzón movement has a partisan background and requires the affiliates to pay a monthly fee to the organization (the author's interview).

6.2.2. Deficiencies, Precarious Dwelling Condition and Informality in Social Housing Projects

In Chapter 3, we discussed how the official housing policy expansion of mortgages towards low-income population and deregulation in urban and housing development made the recovery of investment in housing production more secure. Meanwhile, developers sought to minimize as much as possible the construction cost and speed up the construction process. As a result, the quality of construction material and quality is often poor.[160] In addition social housing projects are located at far periphery where large extension of land is available and cheap.

Such land is sometimes in areas of geological hazard or close to polluting industrial areas. The infrastructure, if provided, is far from meeting the demand. All these factors contributed to the vulnerability of the social housing projects in extreme weather conditions. A heavy rain can result in severe flooding in many social housing projects due to their location along old natural water causes and the deficiencies of the drainage system. Yet, properties in these projects were sold with misinformation. As one interviewee commented: "homebuyers came to visit the project, if it is not raining you won't notice that it is located at a place prone to flooding. And regarding the pollution and why the place smells funny, the homebuyers are told that 'it's just today, usually it is not like this'". The chaotic housing boom further exacerbated the ecological decay. For a long time, wastewater that has not been properly treated was allowed to flow into main water bodies such as El Ahogado and

[160] For example, in the Project Robles, 26 homes were reported to have structural failures (e.g. foundation subsidence) that were beyond repair; the municipal government had to order them to be demolished and homeowners relocated (Mural 2010-09-22).

Lake Cajititlán, and the surrounding neighborhoods have to live with the consequences such as the bad smell (Mural 2011-04-19).

Deficient infrastructure and services in and around the social housing projects is enormous, in almost all aspects of daily life: schools, public transportation, water supply, sewage system, policing, health service, and garbage collection. Table 6.1 shows the uneven distribution of the health care resources in the Metropolitan Area of Guadalajara. In 2010, while in the municipality of Guadalajara, there were 4.25 medical personnel per 1,000 population, in Tlajomulco this number was only 0.19. Neighbors living in the Project Hacienda Santa Fe vividly recalled the first years after they moved in -- only one major avenue (one lane on each direction) and one bus route connected the housing complex to the city. To certain extent, some of the deficits can be reduced over time, particularly when the private sector identified profitable business opportunities. For example, commercial service in the social housing projects was rare, especially in the initial years after the project was developed. Yet, the influx of the urban working class creates a considerable consumer market and large commercial chains such as Chedraui, Aurrera and Soriana extended their branches to the area.

There are deficiencies in other aspects such as water supply, drainage system, clinics, and schools, and which are more difficult to resolve. These are often areas of collective consumption in which the private sector is less willing to invest, although in some cases the municipal government has pressured developers to contribute (see Chapter 5). The provision of these services and infrastructure requires not only the fiscal and administrative resources of the municipal government, but also the collaboration among municipal governments of the metropolitan area, as well as with the State government. For example, with the support from the metropolitan funds and the collaboration with developers and the State government, some major public works (amplification of Avenue Adolf Horn, extension of Avenue Jesús Michel González etc.) were conducted to expand the road network and make the municipality better connected to the city center.

Table 6.1: Distribution of the Resources of Health Care in the Metropolitan Area of Guadalajara, 2010				
Municipalities	Medical units	Medical personnel	Number of Medical personnel per 1,000 habitants	Percentage of the population with Deficit in access to health care (%)
Guadalajara	92	6212	4.25	35.6
Zapopan	66	1738	1.27	33.8
Tlaquepaque	31	260	0.38	32.5
Tonalá	22	160	0.29	41.7
Tlajomulco	22	113	0.19	46
El Salto	12	51	0.25	36.7
Juanacatlán	2	6	0.36	23.6
Ixtlahuacán de los Membrillos	10	9	0.17	43.6

(Source: SEDESOL 2014, *Informe Anual sobre la Situación de Pobreza y Rezago Social*)

That said, the deficit in social infrastructure are cumulative and severe. The shortage of classrooms in the municipality remains rampant until today. In 2002, when the social housing boom started, it w.as reported that almost half of the classrooms in Tlajomulco were provisional (Mural 2002-01-26). In 2013, many students still had to take classes in a mobile classroom, a provisional classroom converted from unoccupied dwellings in the social housing project, or even on the floor. In that year, the municipality still concentrated about almost one sixth of the provisional classrooms in the entire State of Jalisco (250 out of 1,600; El Informador 2013-04-10). Due to the deficit in classrooms and school capacity, around 400 students in Project Los Cantaros had to be waitlisted when the school year of 2013-2014 started (El Informador 2013-01-05, La Verdad 2013-08-26). [161] In the Zona Valle, where most of the large social housing projects of the

[161] According to the current municipal president, Salvador Zamora (MC), when the school year 2018-2019 started, the capacity of the public schools in the municipality could receive about 90% of the school-age population, and the rest (12,000 out of 124,000) have to attend a private school or a school outside the municipality, otherwise will remain waitlisted. Moreover, some of the provisional classrooms presented risks and cannot be used. The social housing projects located in

municipality are located (Hacienda Santa Fe, Chulavista, Lomas del Mirador, Villas de la Hacienda, etc.) and where more than 300,000 people live (65,000 of high school age), it was not until January 2018 when the first public high school was inaugurated (Canal 44, 2018-01-26).

Regarding running water, Tlajomulco had not been integrated into the system of the Metropolitan Area of Guadalajara (SIAPA) until recently.[162] The usual approach of water supply for the social housing projects is through the water wells drilled near them. Many of these projects were built without considering whether the water supply would be sufficient for future dwellers. By 2011, approximately 150,000 residents (over one third of the population of the municipality in that year) in the municipality suffered shortage in water supply, particularly those living in social housing projects in the Zona Valle and along the Guadalajara-Chapala highway (Milenio 2011-04-04). By 2018, some 70,000 residents in the municipality (about 12% of the municipality's population) still have to rely on the water truck provided by the municipal government for water supply, a number much higher than other municipalities in the Metropolitan Area (Metro-Guadalajara 2018-06-19). Currently in many projects running water is still only available two or three days a week, or only for a few hours a day; and not everyone can afford to install a cistern at home. Moreover, the quality of the water is poor due to the minerals contained in the water and the lack of maintenance of the pipeline. In the 2000s, Tlajomulco did not even have a water treatment plant, and the water treatment was limited to chlorination (Ochoa-García 2012). Some water wells were detected to contain excessive level of minerals such as arsenic and

the Zona Valle and alone the Freeway Guadalajara-Chapala still concentrate considerable deficit in schools (La Verdad 2018-10-17).

[162] The municipal government insisted that the municipality would join SIAPA only after it improved its administration and transparency, as well as the State government invested in infrastructure in the municipality. An agreement for cooperation was signed between the municipal government and the SIAPA in 2017, which was to increase water supply by 1,000 liters per second, and would benefit more than 30,000 people in the municipality (Reporte Indigo 2013-12-03, Municipal Government of Tlajomulco 2017).

manganese, or coliform bacteria (Metro-Guadalajara 2013-12-11).[163] Dwellers constantly complained about the detrimental effects that the water has caused to their health (itchy skin, falling hair etc.), particularly to children. They have to buy purified water for drinking, and use tap water only for bath and washing clothes and dishes.

Although social housing projects are often labeled as formal housing development, in reality they are often also fraught with a variety of irregularities. As mentioned in the previous chapter, the municipal government conducts an inspection on the quality of the housing project, and only after the quality meets the regulations can the project can be received by the government, after which the latter is in charge of service provision (garbage collection, policing, water, etc.). The process can take some years: for example by 2016 there were five housing projects in the municipality that had not been legally approved by the municipal government for years and the developer had never fixed the problem. Some of them were involved in chronic legal conflicts leaving projects are in the precarious and vulnerable situation, since they are not entitled to receive the service provision by the municipal government and dwellers are left alone to deal with their daily needs. The current municipal administration does deliver some essential services to these complexes, but meanwhile also keeps track of the fees that have been generated. So that any third party that wants to invest in the housing project has to first pay off the debt of owed by the project (interview with official of the municipal government).

As formal and well-paid employment opportunities are scarce in Tlajomulco, most of these social housing dwellers still have to work in the centric area of the city. Commuting can take up to three and four hours a day,[164] and for many social housing dwellers in

[163] In 2013, the State public health authorities detected that a well that supplied water to Project Nueva Galicia contained arsenic (0.679 mg per liter) that is 27 times higher than the acceptable level (0.025 mg per liter). This hazard could affect 30 thousand people. The water well was closed by the municipal government (Reporte Indigo 2013-12-03, Mural 2013-12-24).

[164] In a typical weekday, people have already formed lines at the bus stops by 5am. In the evening, people returning home from work formed lines up to two blocks near the Aranzazú Temple (the center of Guadalajara, for bus 171 and 176) or at the metro station Periférico Sur (for the various bus routes of 619).

Tlajomulco it is one of the most stressful experiences. This also affects family life: educators complained that children spent considerable time of the day unaccompanied by their parents, not least since public schools in the municipality is half-time.

The informal economy proliferates in many social housing projects, targeting the deficits (and demand) such as petty commerce, food places, transportation, barbershops. Households use self-employment as a coping mechanism during economic hardship, and some businesses were even able to achieve a moderate level of prosperity. People also seek to develop their informal support network. For example, families sometimes rent a social housing dwelling in the same social housing project to take care of the kids. In this sense, a social housing project resembles some of the features of an informal settlement. This is not surprising, given that many social housing dwellers previously lived in informal settlements and their relatives and friends still live there. Many practices that are common in an informal settlement are reproduced in the social housing projects.

Although the majority of social housing dwellers in Tlajomulco are low-income working class, it should be noted that most of them do not live in extreme poverty either. Ultimately, most of them (except tenants or squatters) were employed in the formal sector in the first place to qualify for a mortgage. Currently various socioeconomic indicators of the municipality have shown some improvement since the social housing boom in the 2000s and 2010s.[165] The poverty rate of the municipality fell from 39.6% in 2010 to 32.0% in 2015, and the rate of extreme poverty fell from 5.8% to 2.1% (CONEVAL 2015a). Of course, this does not mean that poverty had been eliminated in Tlajomulco, rather, it reflects a transformation of the nature of poverty in the municipality from a rural one to an urban one. What the urban low-income working class faces in social housing projects consists of a series of *risks* and *vulnerabilities*: volatility of the job market, risk of losing

[165] For example, from 2000 to 2015, the illiteracy rate of the population aged above 15 in the municipality fell from 7.06% to 2%; the percentage of population aged above 15 that did not complete basic education fell from 63.34% to 30.64%; the percentage of the population with no access to health care system fell from 54.16% to 18.75%; the percentage of housing units with a dirt floor fell from 8.86% to 0.62% (CONEVAL 2015b).

one's property to foreclosure, poor construction quality, deficits in infrastructure and service, false promises from the developers and the authorities, among others. Particularly, the improvement in relate and quantitative terms does not cancel the qualitative deficits that households experience and they remain particularly dependent on the provision from the public sector, since they cannot afford private education or health care (although many qualify for IMSS coverage albeit rarely proximate). However, the gap between the demand and the supply is huge due to the unplanned nature of the social housing boom, the insufficient investment from the public sector, as well as the institutional capacity.

6.2.3. Social Cohesion and Governance in Social Housing Projects

Public security in social housing projects is a serious problem. In 2017, 137 persons were murdered in the municipality (about 24 homicides per 100,000 habitants, while it was about 15 per 100,000 habitants in the municipality of Guadalajara and 14 in Zapopan, see El Informador 2018-01-17).[166] While insecurity is a general feature of many Mexican cities, in social housing projects three major factors further complicate the issue. First, the rapid growth of the social housing projects has overwhelmed the institutional capacity of the municipal government in policing. Second, in contrast to the traditional small towns in the municipality, where extended families had resided for generations and everyone knows each other, in social housing projects, people came from all over the metropolitan area and lacked previous connections or a local identity. Third, service and infrastructure deficit also damage social cohesion. The lack of education and employment opportunities in many of the social housing projects impeded the upward mobility among the youth. In the beginning of the 2010s, about a third of the population aged 15-19 neither held a job or went to school. As a consequence some 48 youth gangs operated in the municipality (Reporte Indigo 2013-08-12). Moreover, the deficits in sewage and water supply created not only hardship for

[166] The situation continues deteriorating in the current year. According to official statistics, 197 homicides have been registered in the municipality throughout mid-October (La Verdad 2018-10-15).

households, but also tensions between the natives in the old towns and the new-comers in the nearby social housing projects. Natives blamed social housing projects for the deficit in service and infrastructure, the deterioration of the environment, the deterioration of public security, and the interruption of the landscape and the previous tranquility of life. Some local traditions continued in old towns but were not understood or appreciated by outsiders.[167]

High vacancy rates are a common phenomenon in many social housing projects in Mexico (INFONAVIT 2015, also see Illustration 6.7). People abandoned their property for a variety of reasons, including insecurity, long commuting hours, deficits of service and infrastructure, as well as incapacity or unwillingness to continue paying their mortgage. According to the INFONAVIT, in 2015 Tlajomulco had the third highest housing vacancy rates nationwide (10,073 units), following Ciudad Juárez (12,391) and Tijuana (12,260, Ibid.).[168] The abandoned properties in the social housing projects became both a testimony to broken aspirations of homeownership, but also a symbol of social alienation, made worse when these dwellings are appropriated by criminal organizations or street gangs (to hoard stolen goods or conduct drug transactions). Squatting occasionally occur in these abandoned properties and some squatters even managed to formalize their presence by proving the length of their occupancy of the property (the author's fieldwork). Similarly, large extensions of what were supposed to be green areas in the social housing projects and which once advertised as an example of modern life-style and were supposed to foment mutual interaction and civil encounters are overgrown and unused due to lack of maintenance and reinforce a sense of abandonment.

[167] One example was with the selection of Queen for the Day of Independence Day, in which native population from the town denied the participation of the surrounding social housing projects.

[168] The number regarding the amount of abandoned properties provided by the municipal government is higher than the number provided by the INFONAVIT: according to the municipal government, by 2016, in the Zona Valle, where 150 thousand social housing dwellings are located, 70 thousand were currently not occupied by their owners and 15 thousand units were completely abandoned (El Informador 2016-06-22)

Illustration 6.7: Vacant Properties in Social Housing Project Chulavista (photo taken by the author)

Illustration 6.8: Public Space Covered with Graffiti, Project Hacienda Santa Fe (photo taken by the author)

During the early years of the social housing boom in Tlajomulco government agency was absent from most of the social housing projects. The municipal seat is a small

town and did not have strong economic links with the social housing projects. Dwellers had to travel a long distance to the municipal seat for paperwork or to report problems. However, the widespread precariousness in the social housing projects and other urban problems associated with the social housing boom also present an opportunity for politicians to extend their influence and popularity. During elections candidates promised to deliver and improve the infrastructure and service in social housing projects and the major political parties have established their local presence in large social housing projects; not much different from the clientelistic politics prevalent in the informal settlements decades ago.

The municipal government under the Citizen's Movement Party rule extended the presence of government to major clusters of social housing projects in the municipality. For many administrative issues dwellers no longer have to travel to the municipal seat. The mere size of the social housing projects means that any effective governance will require the synergy between the local authorities and the residents. For example, if neighbors rely on the government alone to mow the grass in community garden, each garden can only be attended every 200 days. This is the reason why so many green spaces in social housing projects look so abandoned. In contrast, if neighbors organize with the tools and personnel provided by the municipal government, the public spaces can be much better maintained (interview with local official).

Before the 1992 reform (mentioned in Chapter 3) the INFONAVIT was in charge of fomenting neighborhood associations in the social housing projects that the institute financed. Although the INFONAVIT no longer undertook this task, some developers do so with varying extent of success.[169] Neighbors collaborate in official or informal ways: raising money to hire someone to patrol the project entrance, constructing a neighborhood religious site, organizing a summer program for kids, forming a WhatsApp group to share information and to warn each other about any danger or suspicious person presented in the

[169] The developer GIG (one of the major developers based in Jalisco) has a department of neighborhood organization, which helped to (the author's interview).

neighborhood. Organization and events such as soccer game, religious events, Independence Day celebration etc. are opportunities to foment neighborhood social cohesion. The municipal government also seek to promote social cohesion by constructing sites and symbols that dwellers in the housing projects can identify themselves with. One example is Chiva-Barrio, a large sports complex that serves surrounding social housing projects. The Institute of Alternatives for Youth of Tlajomulco (INDAJO) fomented neighborhood identity with murals, which invites the participation of the neighbors, particularly the youth to rescue the damaged public space and foment neighborhood identity. By the end of 2016, INDAJO had painted 89 murals in the municipality (many of them in social housing projects), and almost 38 thousand people participated directly or indirectly (La Verdad 2016-12-18; for an example, see Illustration 6.11).

The Citizen's Movement Party often uses the promotion of citizen participation to highlight its legitimacy in governing the municipality. The municipal government tried to institutionalize neighborhood associations to foment the synergy between the neighborhood and the municipal government (Illustration 6.9). Local authorities hold neighborhood meetings and are also proactive in neighborhood WhatsApp groups, sharing information such as career-training workshops, social programs of the municipal government, etc. The municipal government even created a smartphone application "Tlajo App", on which people can take a picture of the urban problem they encounter, upload it and thereby submit a real time report to the government. Note that in many large social housing projects such as Hacienda Santa Fe, conditions vary considerably among different neighborhoods. Neighborhoods that are organized and are able to obtain the support of the municipal government are often more likely to have better public security and public appearance.

Illustration 6.9: An Early-Evening Neighborhood Meeting with Local Authorities in Project Hacienda Santa Fe (photo taken by the author)

Illustration 6.10. Participatory Planning: a Neighborhood Forum Organized by the Metropolitan Institute of Urban Planning (IMEPLAN, photo taken by the author)

Illustration 6.11: The Entrance of Social Housing Project Hacienda Santa Fe Repainted by INDAJO with a Mural (photo taken by the author)

Of course, such attempts at communication and transparency cannot guarantee the solution of the problem, since the deficits are accumulative and structural, and the solution requires the collaboration of authorities of different levels. It is for this reason that the neighborhood associations are also vulnerable. Scenarios such as the lack of response from the local government, partisan interests, neighborhood conflicts, or simply the fatigue from daily commuting, can easily reduce the morale among organizers and participants. While the improvement of living conditions in existing social housing projects requires structural measures such as job creation and investment in infrastructure, it is definitely a desirable goal that the citizen participation and government-society synergy can move forward and become a permanent aspect of life in these projects. These are the agencies that carry the capacity to significantly solve many of the daily problems and to mitigate the adverse structural conditions in the social housing projects.

6.3. Conclusions: Comparing China with Mexico

Despite the different policy paradigms (communist versus democratic), in this chapter I have identified various similarities in social housing projects developed in the 2000s and 2010s in both Nanjing and Guadalajara (Tlajomulco). In both cases social housing projects have been developed following the logic of "minimizing costs" and "meeting quantitative goals". Governments and developers had very little concern over the built environment, or the social consequences generated by the deficits in infrastructure and service provision. As a result, social housing projects in Nanjing and in Guadalajara are often located at the far periphery where land is cheap, and where poor quality of construction can prevail.

Social housing projects in both Nanjing and Guadalajara concentrate a large proportion of low-income population. Compared to middle and upper class citizens, they are more dependent on service provided by the public sector. Yet, social housing projects also suffer a variety of deficits in infrastructure and service, such as public transportation, hospitals and policing, although the degree varies between the two cities and is especially marked in Tlajomulco. Moving into a social housing often implies rising living cost, fatigue due to long commuting hours, rupture of previous social circle, etc. The influx of new arrivals also means a lack of local identity and fragile social cohesion, which leads to public security issues and alienation.

The similarities mentioned above are not random coincidence: social housing development in the two cities are embedded in the process of social and spatial reorganization of the city, as well as the expansion of the real estate capital. In Nanjing, the urban area was once quite socioeconomically heterogeneous (to the extent that it could be under a planned economy). Since urban land was capitalized in 1990s, local government converted land leases into one of its most important revenue sources and as a result the government actively promotes urban expansion and redevelopment, with little concern over issues such as socio-spatial inequality or residential segregation. Social housing projects became a policy tool with which the local government in Nanjing relocates the

low-income urban neighborhoods and rural communities from locations that are desirable to urbanization and urban redevelopment projects. In Guadalajara, the social housing boom is mainly the product of the capitalization and speculation of land in the far periphery (previously communal/ ejidal land, for agricultural use) as well as the mortgage boom promoted by diverse agencies of housing finance, including the INFONAVIT. There, too, there is rising socio-spatial segregation and a trend towards (working) class and low income homogenization.

Although social housing projects offer housing access to the low-income population, I argue that social housing development in both cities represents more dispossession than an advance in housing rights. In Nanjing, urban families that were relocated to social housing projects lost their previous access to infrastructure and service in the central area of the city; while relocated rural communities lost their land and livelihood. Moreover, neither of the two groups can negotiate effectively with the government and the developers over the relocation decision or the compensation terms. These are imposed by the government. Moreover, the relocated families are systematically excluded from sharing the rising land value generated by urban (re)development projects. In Guadalajara, the mortgages (including those granted by the INFONAVIT) that social housing homebuyers contracted are relatively expensive (especially in the long-term). The burden of risks falls disproportionately on low-income homebuyers rather than developers or the financial agency. The volatility of the labor market, the fluctuation of macroeconomic conditions, the employers' omission in making monthly deposits to the employees' INFONAVIT account, and the unexpected depreciation due to the poor design and construction of the housing complex, all heighten vulnerability and weaken the exercise of housing rights. Some homeowners had to abandon their dwelling or go through a foreclosure, and lost what they had invested in the property.

While social housing represents dispossession for low-income dwellers, they nonetheless represent different forms of dispossession: (forced) relocation/ displacement in the Chinese case and financial indebtedness/ lack of tenure security in the Mexican case. This variation is due to the different roles social housing plays in the capitalization of urban

land. In the Mexican case, social housing is the final product of the capitalization of land and is for profit. In the Chinese case social housing is not the final product of the capitalization of land, rather it is a policy tool used by the government to smooth that process and achieve an intermediate product of the process of capitalization of land.

Social housing dwellers respond to the hardship, social exclusion and abuse from the authorities and the developers in a variety of ways. In both cities low-income social housing residents resort to informality (informal supporting network and informal economy), try to modify their built environment, or collaborate with the authorities to cope with the hardship and improve their condition. Dwellers sometimes resort to collective actions to fight for their social and housing rights -- even in Nanjing where the government is far more authoritarian, protests occasionally occurred around compensation for relocation or the condition in social housing projects.

A grassroots and comparative perspective reveals that for residents the outcome of the social housing policy does not necessarily depend on the agencies that construct and distribute them (government versus the market). Rather, it is subject to the way that the city is made: how the land market is structured and stratified, and how urbanization and housing development is financed. As long as the current regime of urbanization that prioritizes profit and segregation predominates, a real "social housing for housing rights" is unlikely to happen. For the short and medium term, two main tasks remain for the public and the policy makers: first, how to hold the authorities and the developers accountable when it comes to urban planning and housing development; and second, how to solve the accumulated deficits that many social housing projects suffer.

Chapter 7: Conclusions

This research intended to respond to a broad question: what motivates governmental agenda to make and implement social policy for low-income populations in two developing countries with very different polities (communist authoritarian and neoliberal democratic). And how, and under what calculus, do these to polities mobilize resources to implement social policy? I argue that in contrast to the post-WWII social housing development in advanced industrialized countries, in which the State acts as a force of de-commodification and social provider of essential services, social housing in China and in Mexico during the past thirty years is essentially used as a policy tool to facilitate the expansion of real estate and financial capital. More specifically I compared the Chinese and the Mexican cases on three levels: the national, the local, and the community and household level. Through a discussion of these comparisons I explored the policy options for governments in the two countries when it comes to housing production and provision for urban low-income populations. I discussed what actually motivated the governments to form and implement the social housing policy, and how the policy formulated by the national government was reinterpreted, adopted and implemented by the local authorities. Finally, I examined the policy outcomes, particularly regarding social housing dwellers' housing rights, largely from a household and community perspective. In this final Chapter, I will first summarize some of the analytical lessons that I drew from the comparisons, and then discuss some of the policy implications generated from this research.

The National Level:

Social housing has developed fast in both China and Mexico since the 2000s, but through different approaches: a government-centered approach in China, and a market-centered approach in Mexico. The variations in these approaches are largely the result of

the existing housing regime when the neoliberal transformation of housing and urban policy started in these two countries in the 1980s and 1990s.

Interestingly, residential tenures in large cities in China and in Mexico in the eve of the state-led industrialization (1940s and 1950s) were quite similar. Private rental housing predominated the urban housing stock. Both the Chinese and the Mexican Revolutions caused profound social, economic and political transformations. The post-revolutionary governments in China and in Mexico actively sought to industrialize their country under the leadership of the State. They used housing policy as a mechanism to cheapen the cost of social reproduction of labor and as a component of the state formation project, and in this way to create a favorable condition for industrialization and capital accumulation. That said, the variations in approaches to industrialization were different. In China it was through a centrally planned economy that prioritized heavy industry, while in Mexico and elsewhere in Latin America it was import substitution industrialization. State construction was also different: proletarian dictatorship in China versus political corporatism in Mexico, and both led to contrasting paradigms of housing policy. By the 1980s public rental housing predominated the urban housing stock in China, while self-help informal housing was the major form of housing access for urban working class in Mexico. Note that in this period, the public sector in both countries also supported formal housing production for the urban working class; but in Mexico, these programs were of much more limited scale compared to China, and only targeted workers of certain key sectors and affiliated to official unions. The main form of support that the public sector provided was credits, and public rental housing was almost non-existent in Mexico.

By the 1980s housing policies in China and in Mexico were in deep crisis. In China where the public sector never invested adequately in the urban housing sector by the late 1970s the housing deficit was even worse than in 1949– the year in which the Communist Party took power. In Mexico, housing agencies were severely decapitalized by inflation and poor governance that led to the 1982 Debt Crisis. As a response to the respective crises both governments launched a market-oriented housing reform. This reform was also embedded in a redefinition of the role of State in economic development and social

provision, the deregulation of the labor and financial market, as well as the expansion of the market relations and the financial capital in the urban housing sector.

Although such market-oriented housing reforms aimed at releasing the government from the burden of housing provision, the role of the public sector in the reform was critical. In both China and Mexico policy makers made important institutional arrangements to facilitate the private participation in low-income housing development. Reforms sought to eliminate anti-market practices and enhance neo-liberal policy approaches such that the role of collective organizations and group mobilization in housing provision was significantly reduced, and a direct link between the developers and home buyers was established. In both countries, while reducing the housing deficit and maintaining political control remain desirable policy goals, there has been a more pronounced emphasis on the profitability of the housing industry and the real estate sector.

Despite these similarities, just as the formal housing policies in the pre-reform era in China and in Mexico had targeted different populations, the market-oriented housing reforms in these two countries generated different approaches to social housing. In the Mexican case, formal housing policy in the pre-reform era mainly attended the low-income working class in certain sectors who earned less than 2 times the minimum wage (through agencies such as the INFONAVIT). Thus, the housing reform then mainly targeted *the low-income working class* by actively seeking to reduce the entry-barrier to a home mortgage, while middle and upper class housing remained largely untouched. The mortgage boom, the deregulation of land development, and innovative financial arrangements converted the social housing sector for *the low-income urban working class* into a profitable business. In the Chinese case, since the majority of the pre-reform urban housing was public rental dwellings, the Chinese housing reform targeted *the entire urban sector* and thereby embraced a wide income strata that was emerging as a result of the economic reforms put in place in the 1980s and 1990s. The product of the Chinese housing reform was a commercial housing sector which became far more profitable for developers than just developing affordable/ social housing.

In other words, the housing reform in Mexico sought to fix the government failure, and the "market" was seen as a *solution* to the housing deficit among the low-income urban working class. The housing reform in China also intended to fix the government failure in the early phase, but as it targeted the entire urban population (including the middle and high income groups), the newly-formed commercial housing market became subject to de facto "gentrification" and favored middle and upper-class housing over low-income affordable housing. In this context, a profitable, commercialized social housing sector, as in the case of Mexico, does not exist in China. The implication is that in China the market is viewed by policy makers as the *cause* of low-income housing problem and to the extent that Chinese governments were able to reduce the housing exclusion among the urban poor, would require direct intervention to fix that market failure. In other words, the government should take supply-side actions such as constructing dwellings for the urban poor. In Nanjing, demand-side actions were likely to be ineffective since subsidizing the urban poor so they can afford a commercial housing would further raise the commercial housing price, and would be more expensive than constructing dwellings for them. This is why although in most Chinese cities a housing provident fund has been established (similar to the INFONAVIT solidarity funds), it mainly subsidizes middle and upper income homebuyers, rather than help low-income urban working class to get access to a commercial dwelling.

The Local Level:

Although the social housing policy was formulated by the national governments, in Chapters 4 and Chapter 5 (my case studies in Nanjing and Guadalajara) examined the critical role played by local governments in the policy implementation. Local governments in these two cities hold overlapping yet considerably different interests and policy goals to those of the central government, but they both actively promoted social housing development, albeit through different approaches and motivated by different policy agendas. In particular I identified the structural constraints and incentives within which

local governments responded to the social housing policy established by the central government.

In China, the central government intended to use social housing to stimulate investment and economic growth in time of adverse external economic condition (particularly following the 2008 Global Financial Crisis), as well as to appease the widespread discontent against the deteriorating housing affordability. For local governments in many Chinese cities, social housing represents a heavy fiscal burden and an opportunity costs, because they are responsible for bulk of the investment and promotion of construction, and yet given that social housing is exempt from land use fees, there is little opportunity to recover fiscal income from such developments (through property taxes etc.) Not surprisingly therefore, many governments – as in the Nanjing case -- passively resisted direct construction of social housing and recast policies that would generate urban development investment.

Adjustments in the central-local relationship in China occurred often in the 1980s and 1990s (e.g. the decentralization of the 1980s, the fiscal reform in 1994, etc.). Even though the central government dominated this process and eventually consolidated its control over the macro-economy after the 1994 tax recentralization, local authorities responded to each adjustment with considerable sensitivity. Local governments no longer simply took command from upper-level authorities, but became stakeholders with their own economic interests and sought to maximize their fiscal autonomy by not only relying on the transfer payment from upper-level government, but also actively expanded off-budgetary revenues. These off-budgetary revenues became a parallel fiscal system, with which the local authorities finance their infrastructure and developmentalist projects. In sum, the fiscal and political arrangements among governments of different levels created a set of structural constraints and incentives that came to influence and shape local authorities' behavior patterns, and the promotion of urban development expenditures over social expenditures, etc.

Local governments in Nanjing and elsewhere have converted land-use rights into a finance machine to finance their developmentalist projects. In China, all urban land is under public ownership, and all rural land is of communal ownership. The only legal approach to incorporate rural land into the city is through state expropriation. Land-use rights were increasingly commodified and capitalized in the 1990s and 2000s, when commercial developers were able to obtain land-use rights from the local government for a price, which is now determined in public auctions. Having monopolized the land supply in the primary land markets, local governments extract enormous revenues from leasing out urban land, which provides them with considerable alternative fiscal resources and sometimes even surpassed local government's general fiscal revenues. Local government land reserves also serve as collateral to contract loans or issue bonds from the financial market. Many local governments in China, as in Nanjing, envisioned a virtuous feedback loop regarding urban development: by borrowing loans and building urban infrastructures, they promote the appreciation of land value and extract revenues from leasing out the land use right, which will further allowed borrowing more loans and building more urban infrastructures. In sum, the rapid urbanization of China was to large extent financed by the re-capitalization of urban land and government's monopoly in the primary urban land market.

This pattern generates three consequences in urban and housing development in China. First, local governments have strong incentives to hold tight control over land, and urban housing development in the country retains a high level of formality- alternatives such as squatting, housing cooperatives etc., that are common in other developing countries are rarely viable in China. Second, through maximizing revenues from land leases, local governments actively promote appreciation of land values, which is largely responsible for the deterioration of housing affordability and for developers' lack of interest in low-income housing. And third, local governments have strong incentives (and the fiscal and institutional resources) to lead urban spatial expansion and reorganization. This inevitably led to large-scale relocation and displacement among the urban population.

The displacement of low-income families became a focus of state-society confrontations since the early 2000s, and yet many of the affected families did not want to

leave the original neighborhood, and the monetary compensation offered by the local government was low, insufficient to purchase a new dwelling. Against this backdrop in Nanjing the local government altered its previous (somewhat) indifferent attitude and started to build a large amount of social housing, the vast majority which were reserved only for relocated families. (Note that this rule was not established by the central government, but was an invention of the local government.) In other words, social housing is largely used by the local authorities as a policy tool to smooth out the relocation process while also getting access to prime inner city sites for commercial and other redevelopment. It became an indispensable component of the land-driven finance machine of the city. Between 2000 and 2014, the metropolitan and the district governments in Nanjing demolished approximately 200,000 urban residential dwellings, and constructed and allocated a similar amount of social housing, mostly for relocation purposes in the city periphery.

Almost in the same period as in China, Mexico initiated its wave of decentralization in 1983 with the modification of the Article 115 of the Constitution. The reform gave municipal government more autonomy, resources, and responsibilities that required them to assume more responsibilities in public works and service provision. Although municipal governments in Mexico do not lead social housing development, they are nevertheless in charge of regulating it through: zoning, urban development planning, construction authorizations and inspections, as well as providing basic services after the project is handed over to the municipality.

The social housing boom in the peripheral municipalities of the Metropolitan Area of Guadalajara, and the negative consequences it generated, reflects a gap between the national-level policy and local political reality. It took place in a context in which there was almost no urban planning or regulatory framework. Local actors of the public sector (municipal governments, state government, agencies of metropolitan coordination, or the state delegation of INFONAVIT) in the early 2000s were not prepared for the social housing boom. Local authorities facilitated the expansion of real estate capital by turning a blind eye to the irregularities committed by the developers. By issuing construction

authorizations, they legitimized the operation of the developers. In other words, the institutional failure at planning and regulating the market contributed to profits that the developers could make. Local officials advanced their personal interests, while construction authorization and property taxes did contribute to the municipal fiscal budget (though nothing like the extent of fiscal capture from the land leases for local governments in China). Ultimately, though, in Mexico especially (but also in Nanjing), it is the local-income dwellers who suffer the precariousness of these social housing projects.

There is a general consensus regarding the main challenges faced by the decentralization movements in China and in Mexico: the gap between the resources and the expenditure responsibilities, and insufficient institutional and administrative capacity of the local governments. However, Chinese local authorities play a much more central role in leading urban development, not only as planner and regulator, but also as constructor, entrepreneur and developer, and the case of the social housing development in Nanjing shows quite clearly. The form and degree of government intervention in urban development and redevelopment is much deeper in Nanjing– a difference, I argue, that is due to the different political and land regime in the two countries.

The political dimension matters. Mexico is a democracy in which municipal president is elected by the local electorate, while in China mayors and local head of the Communist Party are essentially appointed by the upper-level authorities. As the Nanjing and Guadalajara cases show, the wider political regime largely influences the career pattern of the local authorities, and the extent to which they will be held accountable. Different political contexts lead local authorities to develop different *preferences* in the fiscal expenditures. In China, local leaders are more likely to respond to the expectations from upper-level authorities, which prioritize economic growth and political stability, to obtain promotion. In Mexico, local leaders have to respond to the demand of their local electorate to win the election, which often centers on public work, basic service and public security. Indeed, in contemporary Tlajomulco it was the patent incapacity to curb the chaotic social housing boom and to provide services that led to the power transfer from the traditional

political parties (PRI and PAN) to a new and relatively minor party, the Citizen's Movement (MC).

Regarding the land regime, compared to their Mexican counterparts local governments in China resemble more the features of a real estate enterprise in leading urban development. Although the prefectural governments in China also face the challenge of mismatch between their fiscal revenues and the expenditure responsibilities, and they are also dependent on the transfer payment system from central government, they can nevertheless operate a parallel budgetary system that is primarily based on the revenues from land leases to finance their infrastructure and development projects. In comparison, Municipal governments in Mexico play a much more limited role in the urban land market. Although municipal governments possess land, they can only use it for social purposes (such as building schools, hospitals and cultural facilities), not for profit as in the Chinese case. The fees for construction authorizations and property taxes are only a minor share out of the rising land value, and their rates are not as sensitive to the market as the land leases. One difference that may become important in the future, is that Mexico municipalities (cities) do set and recover property taxes, which is not the case in China. While auctioning land leases in Nanjing is the "golden goose", failure to seek downstream property taxes (at least on commercial housing), is likely to erode fiscal capacity once city development slows.

The Household and Community Level:

Although in Nanjing and in Guadalajara, local governments apparently operate under different institutional frameworks and with different resources, and the social housing development took different approaches, my fieldwork identified some key features and problems shared in the social housing projects in the two cities. Social housing in both is largely located at the far periphery where land is the cheapest (but maybe geologically hazardous or close to industrial pollutions). There are deficits in services and infrastructure, poor quality of dwelling construction, concentration of poverty and residential segregation,

lack of employment opportunities and long commuting hours, as well as problematic public security, among others. Despite different modes of construction, social housing projects in China and in Mexico follows a same logic: prioritizing the quantitative goals and minimizing the cost of construction. Government and developers in general overlook the built environment, or the social problems that the deficit and the concentration of poverty can generate. Ironically, in both cities, the lack of institutional capacity and the hasty construction process result in various forms of irregularities and informalities in these housing projects that are supposed to be "formal".

Besides the precarious condition in these projects, social housing dwellers went through various forms of dispossession. In the case of Nanjing many families were de facto forcibly relocated to social housing projects, despite their rejection to the relocation or the compensation terms. They often had to wait a long lapse of time to actually move in the new dwelling. They also have to live with other consequences of the relocation: the rise of living cost and the loss of previous easy access to urban infrastructure and service. Moreover, it is the local government who extracts the lion's share of the rising land value from urbanization/ urban redevelopment, not the relocated urban households or rural communities.

In the case of the Metropolitan Area of Guadalajara, I argue that although social housing represents a fast-track alternative to self-built housing as an affordable housing option, the decision-making of purchasing a social housing dwelling is the result of a variety of structural factors, such as the availability of mortgages of low entry-barrier, the fact that mass social housing projects somehow squeezed out land available for self-help housing, the pro-homeownership ideological and commercial campaigns, etc. Different from the previous generation of settlers in the self-built informal settlements, social housing dwellers are subject to formal financing through a mortgage that requires monthly payments for up to thirty years. However, the property that homebuyers purchased may incur various structural failures and deficits of essential infrastructure and service. The mortgage regime is exploitative against the low-income homebuyers, as it imposes a variety of risks disproportionately on them, including the volatility of labor market, the

fluctuation of the economy, and the omission of the employer etc. Mortgage borrowers are also victims of information asymmetry, as they often do not possess the full knowledge of the legal terms and the current situation of their account. Mortgage agencies take advantage of this, and impose other abusive and punitive terms in the mortgage contract. As a result foreclosure is today a real threat to many households living in social housing projects.

Social housing development in both cases are deeply embedded in the processes of expansion of real estate and financial capital, as well as the increasing spatial reorganization of the city, although social housing development serves different purposes in these processes. In Nanjing it is used as policy tool to facilitate the relocation process (intermediary product in the land capitalization of the city), and in Mexico it is a commercial product (the final product of the land capitalization). This lead to different forms of dispossession: social housing dwellers in Nanjing often moved in under the state coercion and are excluded from the rising land value generated by the urbanization and urban redevelopment projects after the relocation, while those in Guadalajara have to face an abusive and exploitative mortgage regime that poses a serious threat to the tenure security.

Social housing projects in Nanjing and in Guadalajara also generates the challenge of creating and responding to an influx of a large number of low-income families. This has reinforced the residential segregation and socio-spatial inequality of the city. Households living in social housing developments are more dependent on the infrastructure and service provided by the public sector; yet public provision in these projects are often far from meeting the demand. These deficits (including policing), as well as the breakup of previous social networks and sense of local identity, lead to low-level of social cohesion and creates particular challenges for public security. Of course, when moving into a new environment, people usually seek to reconstruct their social network, which was also the experience among the settlers in earlier self-help informal settlements; however, factors associated with moving into a social housing project, such as abandoned housing and long commuting hours, created considerable obstacles for such efforts.

Both individual households and the community have developed some coping mechanisms as response to the social infrastructure deficiencies, hardship and dispossession. Informality, for example, is an emerging feature in social housing projects, even in Nanjing where the local authorities are much less tolerant with the informal economy. The informal economy targets the deficits of service provision by the public sector. Social housing dwellers also reproduce their previous life experiences and seek to develop informal support networks. Collective actions also occasionally form a response to deficits and abuses from the government or the developer. For local authorities, it becomes clear that the only way to effectively govern social housing projects is to seek partnership with the dwellers, although the approaches they take vary. The mobilization of the dwellers is embedded in the political contexts of the two countries as well. While in Mexico, clientelist practices that were widespread in the consolidation process of the informal settlements, are also being actively reproduced in social housing projects. In China, political and social stability of the social housing projects is among the top priorities of the local authorities and is tackled by strict means of social control.

Although social housing projects in China and in Mexico have come to house a very large number of low-income urban working class families, I argue that they were not designed to address the housing rights of the urban working class. Rather, social housing projects in these two countries are developed to promote the agenda of the government, the developers and the finance agencies. This has led to various forms of dispossession, abuse, and hardships rather than a strengthening of rights and empowerment of urban citizens. Despite their different contexts, the social housing development in these two cases represent more of accumulation by dispossession than a real advance in housing rights.

These aforementioned comparisons lead me to offer three analytical lessons, each with theoretical implications. First, this study expands our knowledge on how the processes of neoliberalization are unfolded in developing countries such as China and Mexico. In particular, social policy is used as a *tool* and *venue* to facilitate the advance of neoliberal projects such as financialization towards low-income population. Disguised as a form of "welfare" that targets certain vulnerable social groups, groups in power use social policy

to effectively impose their (sometimes hidden) agenda on the target population. Note that the advance of a neoliberal project is often not simply imposed by an external force, but is rather characterized by an embeddedness in local institutional and political contexts. Of course, embeddedness does not determine the policy outcome. But they are powerful structural constraints and incentives for the policy-making and informs us about the possible policy options. For this reason, government-led social housing construction is simply not viable in Mexico, while the commercialization approach to social housing is unlikely to be able to prevail in the long term in China.

Second, the role of local government in development is highlighted in a context of increasing fluidity of capital. Local governments have their own interests and stakes. They respond with considerable sensitivity to the changing national and international economic landscape, and the changing central-local relationship. In particular, local governments play a major role in urban zoning and planning. In other words, with their power over how the territory should be spatially organized, they shape the locus where the capital operates and expands. This happens, of course, within a set of structural constraints and incentives generated by the political and land regime of each country.

Third, this research leads one to reject an essentialist understanding of government and market. The fact that social housing dwellers in Nanjing and in Guadalajara suffer various forms of dispossession and deficits remind us that, who constructs the social housing does not necessarily determine the welfare and housing rights of the people. Rather, what matters is the way that the city is made. The fact that the government in Nanjing monopolizes the primary land market of the city does not mean that the government would dedicate the land to house the low-income population; on the contrary, local authorities take advantage of this monopoly to maximize their fiscal revenues. Government agencies in China, as well as financial agencies and private developers in Mexico seem to operate on the same canvas: to maximize profit from the capitalization of land. In other words, the key to issues such as rights to the city lies in a more inclusive way of making city.

So what does this mean for policy? This dissertation underscores four main points. First, social housing development in China and in Mexico contains a high level of financial risk. As Chapter 4 addressed, the state-led urbanization in China largely relies on land appreciation, over which the local government has monopoly. However, the land value is also subject to economic fundamentals, such that even local authorities resort to speculation. Note that the local governments in many Chinese cities, including Nanjing, have already been heavily indebted to finance their infrastructure and developmentalist projects. As shown in quite a few Chinese cities, the land appreciation is not as sustainable as many policy makers would hope. The collapse of land use caused by a recession (even at local level) can have systemic consequences not limited to the economic sphere. And, as mentioned above, the lack of a strong property tax regime is likely to undermine fiscal sustainability for urban development. In the Mexican case, social housing development takes a market-centered approach. Concerning the INFONAVIT, although it is public-sector agency and its financialization is still of limited scale, and although the obligatory contribution from employers have to some extent dispersed the financial risk for the agency, it is still showing that the low-income homebuyers disproportionately absorb the financial risks caused by the volatility of labor market and macroeconomic fluctuations.

Second, the current paradigm of social housing development is likely to continue in the short and medium term. The social housing development in Nanjing is an indispensable component of a model of urbanization based on land capitalization, government monopoly of the primary land market and government-imposed relocations. As long as this model persists, the local authorities are likely to construct more social housing to accommodate relocated families. Currently, the government's demand of social housing for relocation purposes still surpasses the supply, even with the completion of the four mega projects that combine to provide 82,800 social housing dwellings. Not surprisingly, recently the Prefectural Government of Nanjing announced that it will continue the current rhythm of social housing construction. Meanwhile, it remains questionable to what degree the city can expand the social housing to groups such as

migrant workers and to other low-income families whose neighborhoods are not the target of relocation.

In the Mexican case, there is a general consensus in the country that the social housing boom in the 2000s is problematic and unsustainable. The Peña Nieto Administration (2012-2018) called for a re-densification of the city, and did not rescue the giant social housing developers such as Homex when they were at the edge of bankruptcy. In Tlajomulco, for example, a ban against the construction of dwellings smaller than 90 sq. m. is a clear sign of some local authorities' rejection to the chaotic expansion of social housing. Nationwide, the social housing industry has to certain extent been restructured. Some mortgage agencies (including several SOFOLs), as well as some major social housing developers (such as HOMEX) are in bankruptcy. Medium-size developers have also made attempts to balance and diversify their operation, for example, by constructing more middle and upper class housing. Because social housing development in Mexico took a market-oriented approach, we can expect the industry to shrink when the demand for social housing diminishes. Of course, the case of Tlajomulco is somehow an exception, where there is a clear over-supply of social housing dwelling at this point. In the rest of the country, it might be too early to envision an end to the social housing development. Indeed Andrés Manuel López Obrador's swearing in as the new president of Mexico on December 1st 2018, means that we are at an interesting moment to observe the orientation of the new Administration (2018-2024) regarding the housing policy for the urban low-income working class. As an energetic critic to the neoliberal order, it remains as an open question whether his administration will actively promote alternative forms of housing access, such as renting and housing cooperatives, etc..

Third, more attention should be put on how to improve the living condition in the existing social housing projects. This is critical to the social mobility among the low-income social housing dwellers. The previous experience with social housing development in the postwar Europe and United States showed that without proper long-term management and maintenance, mass social housing projects were prone to becoming "vertical slums". As mentioned earlier in this chapter, social housing dwellers are usually

more dependent on the provision from the public sector, which requires a long-term commitment from the public sector. Yet, the task is tough because a lot of the social housing projects were constructed with defects and bad (sometimes irremediable) planning, and these are not where public-sector investment prioritizes. In Nanjing, as most of the social housing dwellings are highrises, the maintenance is even more costly and risky. Moreover, the improvement of the condition of the social housing projects require a holistic solution that addresses not only the deficits in service and infrastructure, but to foment employment, neighborhood social cohesion, local identity, etc. Particularly in the Mexican case, tenure security in social housing projects is an extra challenge. Similar as for self-builders in informal settlements tenure security matters and shapes dwellers' willingness to invest in improving the housing and neighborhood condition. The risk of foreclosure among social housing homebuyers is likely to hinder the consolidation of these projects.

The first step is probably to identify the agents and venues for positive changes. As shown in the case of Nanjing and Guadalajara, the improvement of the living condition in social housing projects requires not only the political willingness from the local authorities, but also the collaboration of governments of different levels, and a synergy between the government and the dwellers. In this sense, practices such as participatory budgeting and planning, neighborhood associations, micro-projects fomenting local identity – all seem to increase social cohesion in some parts of the social housing projects, despite the harsh structural conditions. Local authorities may also need to work with, rather than trying to eliminate informality to address the most urgent deficits.

Finally, as the entire dissertation suggests, a common problem in the urban and housing development in developing countries is the insufficient institutional capacity and the lack of mechanism of checks and balance against the abusive practices of powerful stakeholders. For countries like China and Mexico, the current context is no longer one of absolute shortage of capital as it was in the 1940s and 1950s. On the contrary, capital becomes increasingly abundant and fluid, and seeks to operate and expand voraciously, often bypassing or overlooking government regulations and social claims. This happens with the complicity of authorities (or is led by them, as in the Chinese case). Of course, a

capitalistic urban land market will not disappear in short or medium term in neither China nor Mexico. Yet, more democratic participation should be introduced into urban governance with, ideally, more explicit recognition and respect for citizen housing rights. Even in an authoritarian context such as China, existing institutions and mechanisms such as local legislatures and public hearings should play a more pronounced role in urban development, rather than leaving the executive branch alone to make all the decisions.

For future research, I argue that policy-related research in China and in Mexico should not be limited to "how to improve the financial efficiency of the mortgage agencies". Rather, we should conduct a systematic evaluation of the financial risks generated by the current wave of financialization of low-income housing development. Particularly, how these risks affect the fiscal sustainability of local authorities, as well as the housing rights for the low-income population. Other developing countries that have developed a significant social housing sector, such as Chile and Brazil, can be included for further comparative research. Another relevant research topic is how the experience of living in a social housing project influences the social mobility patterns among the dwellers- and this research can be undertaken in longitudinal manner. Moreover, while there has been a general consensus over the common problems of the social housing projects in China and in Mexico, little has been discussed on how to improve the condition of the existing social housing projects.

In the end, this dissertation has also set a solid basis for a future study of comparative cultural sociology on the social costs of financialization and neoliberal urbanization in the developing world, as well as the population's response to these consequences. Treating individual cases in an isolated way often leads to the "exoticization" of the case, to the detriment of theoretical development. I end this dissertation with a quote from a recent article on the current situation of cultural sociology in China. Tsang and Lamont (2018) convincingly concluded that "overall, few cultural sociological works we are familiar with situate Chinese cases within a comparative study or within a transnational

theoretical framework...". They continue, "It is our hope that cultural sociological work on China will mature by moving beyond the currently-dominant area-studies paradigm, one in which the Chinese case is frequently regarded as an extreme or an anomaly for the purposes of theory building. More research that situates Chinese phenomena within comparative and transnational frameworks will serve to normalize rather than exoticize Chinese social phenomena". The endeavor of such comparative studies can help us to further theorize the hegemony of capital, as well as to identify the agency of resistance.

Appendix 1: Informal Housing Development in Mexico: 1950s-1980s

This appendix serves as supplementary reading for those who are interested in the development of self-built, informal housing in Mexico. I will review how informal housing became the most important form of housing access for the low-income urban working class in Mexico, particularly during the country's rapid urbanization (1950s-1980s). I will also discuss the changing attitude and policy of the government regarding informal housing development.

Self-built settlements, also called *colonias populares*, had been formed in many Mexican cities by the Cardenas Administration (1934-1940). During the Avila Camacho Administration (1940-1946), it became an increasingly important housing option for low-income urban dwellers (Perló Cohen 1979). When urbanization accelerated in 1940s, although the political stability and economic growth opened up opportunities for real estate investment (Gilbert and Varley 1991), the construction industry in the country was not apt for an industrialized production for the urban mass due to the dependency on the importation of construction materials, as well as the lack of mechanisms to finance housing projects for developers (Jaramillo and Schteingart 1983). Neither the existing housing structure (private rental housing) nor the government-led construction of affordable housing ("social housing") was sufficient to accommodate the housing need of the growing low-income urban population. In this context, self-built housing became a pragmatic and prevalent option for the low-income urban dwellers. In the metropolitan area of Mexico City, the proportion of the population that lived in the self-built settlements increased from 2.3% in 1947, to 32% in 1952, and 50% in 1970 (Coulomb 1992: 92). Villar Calvo (2007: 574) estimated that the "formal sector" (public and private sectors combined) produced around 35% of the dwellings in Mexico between 1951 and 1970, and the informal sector produced 65%.

It is the *informality* in the land transactions and in the process of housing production that made self-help housing low-cost. Informal settlements were often established on land (of public, communal, or private ownership) on the periphery of the cities. Such land was either unattractive to commercial developers or of little agricultural value (Coulomb 1992: 91; Jaramillo and Schteingart 1983). Settlers obtained land mainly through illicit land subdivision or, to less extent, through land invasion (Gilbert and Ward 1985). More specifically, the illegal subdivision of ejidal land[170] was the most common method of land

[170] Ejidal land is a form of communal land ownership, which was reinstalled after the Mexican Revolution as part of the Agrarian Reform. It cannot be sold to third party or used to accommodate urban expansion. Officially, the only legal approach to urbanize ejidal land is through state

alienation for self-building. The "illegality" consists of the fact that these subdivisions often lacked proper titles, basic services and failed to meet the planning norms (Gilbert and Ward 1985: 86). Scholars generally accepted that overtime, self-help settlements in the urban peripheries have the potential to get consolidated and integrated into the urban fabric, thanks to the upward social mobility of the settlers, community-based organizations and government support (Eckstein 1990). Once settled, informal housing will be subject to market transactions (land speculation, renting etc.) as well, albeit this market refers to informal residential market (Gilbert and Ward 1985: 69).

That said, how the urban low-income population obtained land for self-building varied significantly among cities and may change over time, depending on factors such as land aptitude, land market dynamics and local state interventions (Gilbert and Ward 1985; Gilbert and Varley 1991). Occasionally, the government also expropriated land and assigned lots to form new self-built settlements. Perló Cohen (1979) documented that between December 1941 and December 1943, the Department of the Federal District (DDF) distributed 17,326 lots to household heads for self-building. Indeed, between 1936 and 1954, some self-built settlements acquired the legal status of "colonias proletarias" and were authorized to exist even their condition did not meet the minimum requirement for urbanization (Coulomb 1992: 93; Perló Cohen 1979). In contrast, between 1953 and 1966, Mayor Uruchurtu of the Federal District imposed a strict and fairly effective ban against new informal settlements and invasions within his jurisdiction prompting a shift of new settlement into the State of Mexico where the state government actively promoted lot sales and failed to enforce regulations over developers and subdividers. Not surprisingly, informal settlements expanded rapidly towards where regulation was much weaker, that is, the State of Mexico (Gilbert and Ward 1985: 88). Similarly, the reason why the ejidal land became a major source for illegal subdivisions and invasions in Mexico City is related to the fact the Mayor exercised relatively weak control over ejidal land, where the Secretariat of Agrarian Reform and the official peasants' leagues held more authority (Gilbert and Ward 1985: 90).

The rapid expansion of self-built, informal settlements in Mexico resulted from a combination of political and economic factors. Amid the crisis of rental housing and the almost-non-existence of social housing for the low-income working class, the government considered self-building as a pragmatic policy option to tackle the urban housing deficit.

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expropriation by the Secretariat of the Agrarian Reform. However, as Gilbert and Ward (1985: 89-91) documented, ejidal land provided widespread opportunities for illegal subdivisions, as it is a profitable business for the ejidal community due to the high demand for self-built lots, and it became a venue for political patronage between the Secretariat of Agrarian Reform and the local peasants.

Indeed, the government was actively involved in monitoring and allocating the land (Gilbert and Ward 1981). Politicians saw informal settlements as a venue for clientelistic politics and use it to enforce political control over the mass: legal recognition of the informal settlements and service delivery were lengthy and highly selective, often in exchange for political loyalty (Eckstein 1990, Gilbert and Ward 1985, Perló Cohen 1979). These demands were often channeled and mediated by local political brokers (often also called "urban caciques", see CIDAC 1990: 38, 39). The official party sought to maintain the settlers' associations under its control through political patronage and denied some radical demands that could threaten the private property of the dominant class (Perló Cohen 1979). It was not an easy task for the government, as residents of the informal settlements never formed a homogenous groups, and their relations with the official party was often not always submissive. Confrontations occasionally occurred between the government and some settlers' associations that took an independent position around issues such as evictions and regularization (Perló Cohen 1979). Yet, overall, political control over informal settlements was fairly effective until late 1960s (CIDAC 1990: 39), although it did not offer a structural solution to address the deficit in infrastructure and service.

From a structuralist perspective, self-help housing (and the informal sector in general) reflects a symbiotic connection between the expansion of the modern capitalist sector and the rapid growth of urban population under Import Substitution Industrialization (Portes and Shauffler 1993, Jaramillo and Schteingart 1983). That is, the informal sector cheapens the expansion of the modern capitalist sector by providing low-cost goods and services for the formal sector. In this way, the housing demand of the low-income urban population was reduced to legal recognition of the land lot, as well as access to services (CIDAC 1990: 38). This idea somehow coincides with a Marxist perspective: self-building cheapened the social reproduction of labor for industrialization, because when the working class self-build their home, the bourgeoisie takes advantage and suppress demand for higher wages (Burgess 1982, Ward 2012).

While the PRI was able to exercise political control quite effectively in many of the informal settlements in the 1960s, independent community organizations that refused to be co-opted by the official party gained considerable impetus in the 1970s (CIDAC 1990: 40).[171] Some of these associations had their origin in the 1950s and 1960s; yet, the 1968 student movement was a catalyst to the proliferation of these urban social movements. These movements targeted a wide range of urban issues, including housing, service

[171] To name a few: the Comité de Defensa Popular in Durango and Chihuahua, the Frente Popular Tierra y Libertad in Monterrey, the Unión de Colonias Populares in Mexico City, and the Coalición de Obreros, Campesinos y Estudiantes del Istmo in Oaxaca (Bennett 1993, Bennett and Bracho 1993).

provision and labor condition. Some organizations, such as the Frente Popular Tierra y Libertad in Monterrey, organized successfully land invasions in various occasions. Despite the heterogeneity among these organizations in their demands and strategies, essentially, they represented a popular expression and response to the precarious condition of the urban working class during the years of the Mexican Miracle and a rejection of the political patronage and traditional approach of demand-making (Bennett 1993). Despite government repressions and co-optation, these independent organizations strengthened their collaboration nationwide with the creation of Coordinadora Nacional Provisional de Movimientos Urbanos Populares (CONAMUP) in 1980 (CIDAC 1990: 41). These movements reinforced the civil society, undermined the hegemony of the official party, and forced the government to use new social (including housing) programs to restore its legitimacy and rewrite the social pacts with the urban working class (CIDAC 1990: 42, Bennett 1993, Bennett and Bracho 1993).

While the government had tacitly tolerated self-help housing as a pragmatic solution to the housing deficit since the early stage of the rapid urbanization, in the 1970s, the government further institutionalized its support to this sector (Gilbert and Varley 1991: 48). This change occurred in a context of a general consensus in the academia and among policy makers that self-help housing could be a solution to the urban housing deficit and had its potential in consolidation and integration into the city. In contrast to the earlier views that the poor were trapped within a "culture of poverty" (Lewis 1959), it was taken into consideration the social mobility among the settlers and their ability in improving the infrastructure and service of the settlement through community organization and clientelistic network with the local authorities (Perlman 1980, Portes 1972, Roberts 1973; Ward 2005, 2012). Later, in the aftermath of the 1982 Debt Crisis, informality was seen as a mechanism that could cushion the negative impacts of economic crisis on family income (Gonzalez de la Rocha 1994, Roberts 1994).

At the federal level, INVI was reorganized and transformed to INDECO in 1970, and led programs such as social housing development, land expropriation and regularization for self-help settlements, rural housing, etc. The INDECO was dissolved in 1982 due to its financial difficulty and was decentralized to become housing agencies at the state level (ASE 2012; Puebla 2002: 52). Its former role as a federal agency for low-income housing was replaced by the FONHAPO, agency created in 1981. In the 1970s and 1980s, programs of slum clearance and relocation, which were once carried out by the Government of the Federal District, were reduced (Puebla 2002: 53). Instead, policy initiatives such as progressive housing, lots with service, and land title regularization were

incorporated and consolidated into the housing policy agenda, as clearly reflected in the programs of agencies such as CORETT[172] and FONHAPO (CIDAC 1990: 44).

The FONHAPO soon became the most prominent housing agency for low-income population that were not attended by other agencies (household head whose income was less than 2.5 times of the minimum wage, which represented 70% of the total population in 1977 and 90% of the housing demand between 1983-1988 [CIDAC 1990: 197]). Particularly, based on an understanding that community organizations could play a crucial role in the consolidation of the settlements and improve the financial efficiency of the investment, the FOHNAPO assigned collective credits to sub-national governments and community organizations (including both official ones and independent ones) instead of directly to individuals. However, this also politicized the program (CIDAC 1990). Between 1982 and 1994, FONHAPO issued 500,918 credits, among which 40.7% were for progressive housing, 35.9% were for housing improvement, and 23.1% were for lots with service (Puebla 2002: 168).

The FOHNAPO was funded by the fiscal resources of the government, but since late 1980s, increasingly by loans from the World Bank.[173] That said, the general trend of the 1980s and early 1990s was a decline in the public investment in housing for low-income population in the informal sector (Puebla 2002). Largely due to financial reasons, the FONHAPO had to end, suspend or reduce that programs that were more costly (such as land reserve for self-building and new housing construction) and instead favored the cheaper ones (such as housing improvement and progressive housing [Puebla 2002]). Most of the credits issued by the FONHAPO were of small amount. For this reason, in 1986 and 1988, around 25% of the housing credits were granted by the FONHAPO, yet FONHAPO received less than 5% of the total investment from 1982 to 1994, except for 1984 (5.06%, see Puebla 2002). Although the government used housing as a tool to create jobs and stimulate the economy after the economic crisis, the public funding favored the middle class (through FOVI) and the formal organized workers (through the solidarity funds). This has much to do with the fact that, different from the solidarity funds and the FOVI, agencies that attended the lowest-income group such as FONHAPO relied more heavily on federal

[172] CORETT (Comisión para la Regularización de la Tenencia de la Tierra) was founded in 1971, and is a federal-level agency that regularizes/ formalizes land tenure for informal settlements. Between 1974 and 1994, the CORETT regularized 1.086 million lots nationwide (Villar Calvo 2007: Table 47).

[173] In 1984, 75% of the FONHAPO's investment in housing development came from the fiscal resources (668.1 million Pesos). In 1994, only 15% of the investment came from the fiscal resources (113.6 million), and 47% from the loans granted by the World Bank (358.4 million, see Puebla 2002: 161).

budgetary funding (Graizbord and Schteingart 1998). Actually, in the 1980s, even though self-help homeowners could consolidate and expand their housing through their extra savings and labor, it became increasingly difficult as the result of the economic crisis.

Appendix 2: Housing Development and Deficit in Nanjing under the Planned Economy: 1950s to 1980s

This appendix offers an overview of the housing development in Nanjing from the 1950s to the 1980s, which corresponds to the period of planned economy in China. This period is characterized by the de-commodification of housing and land, the predominance of the public rental housing in the urban housing stock, the chronic underinvestment in the urban housing sector, as well as a severe housing deficit. This discussion will help the reader to understand the background of the housing reform and the urban development in the city in the 1990s and 2000s.

Nanjing was the capital of China under the Nationalist Party (Kuomintang) Government (1927-1949) and the city was severely damaged during the Japanese occupation (1937-1945). By the end of the Kuomintang's rule, similar to other large cities in the country, Nanjing went through a rampant housing crisis. The city had a population of 1.12 million in 1947, and the housing deficit was estimated to reach 76,000 units (Long 2014). Overcrowding and tenant-landlord conflicts were widespread. By the end of 1948, there were 309 slums in the city, which combined to house more than 200,000 people (Long 2014).[174]

Prior to 1990 housing development in Nanjing from 1950s to 1970s in general reflected the national trend. Resources were channeled to the development of heavy industry. The local government launched campaigns to upgrade slums and shantytowns, often by replacing the shacks with dwellings of permanent materials. Local authorities and work units of the public sector also constructed a few new public rental housing projects for registered urban residents and public sector employees (Zhang 2011). Yet, investment in housing and urban development was considered non-productive and was soon marginalized (Table A2-1). From mid-1950s to mid-1970s, construction of new dwellings was rare (Figure A2-1). During the Great Leap Forward (1958-1960), local government even expropriated a large amount of residential housing (about 1 million sq. m. in floor area) for industrial and service purposes (Zhang 2011).

[174] As Nanjing was the capital of the previous regime, when the Communist Party took over the city, many city residents associated with the old regime fled. The new regime also sent a large amount of war refugees to their home origin or other areas. Unlike other large cities in the country such as Beijing and Shanghai, housing deficit was somehow less intense for a short period of time after the Communist Party took power.

Table A2-1: Housing Investment in Nanjing: 1949-1984		
Time Period	Investment in housing production per year (million Yuan)	Investment in housing production as a percentage of total investment (%)
1949-1957	5.1	5.1
1958-1965	8.4	4.2
1966-1975	6.2	3.1
1976-1984	141.9	18.7

(Source: General History of Urban Development in Nanjing: 95; calculation by the author)

On several occasions, local authorities resorted to expropriation and redistribution in response to the severe urban housing crisis. After the Communist Party took over the city in 1949, the new regime expropriated and redistributed the properties of the old regime. By 1956, there were still about 53,000 homeowners in Nanjing, who owned about half of the floor area of the urban housing stock (History of Real Estate Development in Nanjing: 64). The new regime socialized bulk of the private rental housing stock in 1958, converting about 65% of the floor area of the private rental housing stock into public rental housing (History of Real Estate Development in Nanjing: Table 2-12).[175] During the Cultural Revolution (1966-1976), 5,408 private dwellings were expropriated by the local government with no compensation. Moreover, the local authorities maintained a strict restriction against in-migration (also see Figure 4.2). In 1969 and 1970, 12,281 households were deprived of their urban registration and sent to settle in the rural area. Their dwellings were expropriated with a minimum compensation (less than half of the regulated price of the time) and converted to public rental housing (History of Real Estate Development in Nanjing: 61, 62). Between 1961 and 1970, the city witnessed a net out-migration of 370,000 (Figure 4.2), and the population size of the city proper of Nanjing almost stagnated around 1.65 million between 1960 and 1975 (Figure 4.1).

Between 1955 and 1975, rent in public rental housing was reduced by about half. On average, rent equaled 7.28% of a workers' monthly income in 1955, and only 1.76% in 1975 (History of Baixia District: 143, 144). Rent collection was even not sufficient for the cost of maintenance, and housing construction and maintenance was mainly funded by fiscal resources (History of Real Estate Development in Nanjing: 186). Despite some new

[175] This campaign targeted landlords who rented out housing of floor area over 150 sq. m. After the property was converted into public rental housing, the previous homeowner received a shared revenue that equaled 20%-40% of the monthly rent (on average 29.6%) from July 1958 to October 1966 (History of Real Estate Development in Nanjing: 65). After that, the property was converted into full public ownership.

housing construction and the restriction against in-migration, overcrowding and absolute housing deficit troubled the city for years: per-capita floor area in 1980 (9.26 sq. m.) was still below the 1949 level (9.32 sq. m., see Figure A2-2); by 1979, more than 30 thousands families in the city had no access to housing (Zhang 2011). According to the housing census of 1985, only 51% of the urban households lived above 10 sq. m. per capita usable floor area, and strikingly, 1,042 households lived under 2 sq. m. per capita usable floor area (History of Real Estate Development in Nanjing: 46).

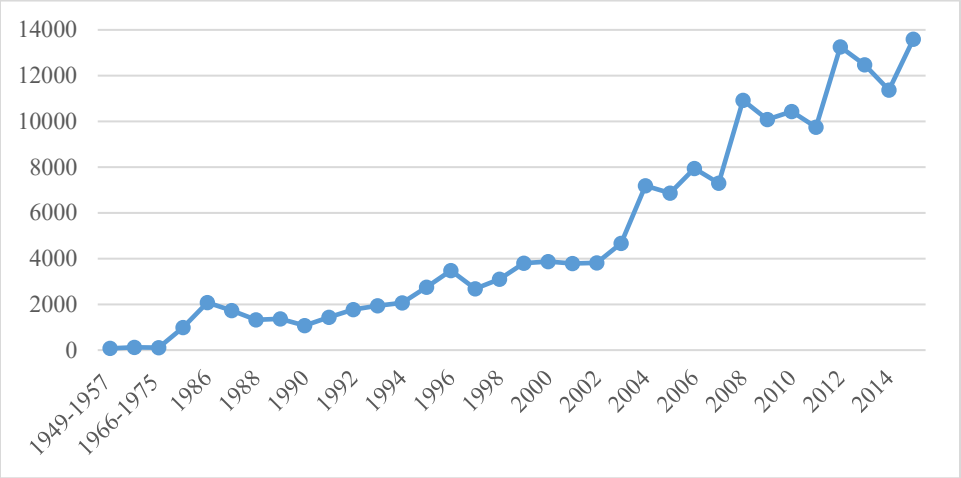

Figure A2-1: New Dwellings Constructed Each Year in Nanjing (floor area, in thousand sq. m.)

(Source: General History of Urban Development in Nanjing: 95 [calculated by the author]; Nanjing Almanac, 1987-2016)

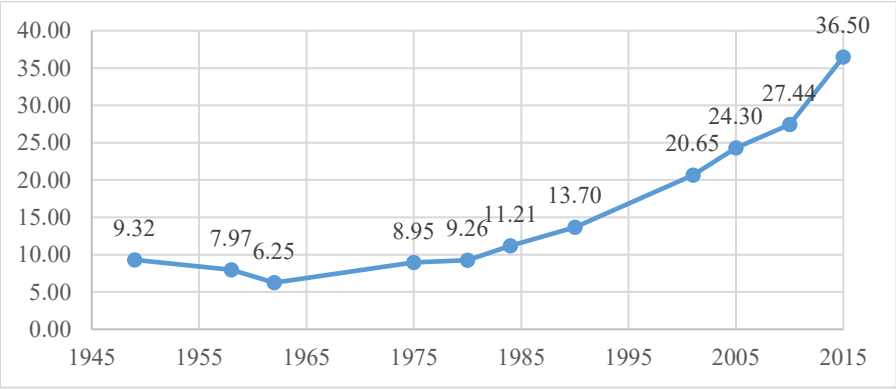

Figure A2-2: General Housing Condition in Nanjing: Per-Capita Floor Area (sq. m.)

(Source: History of Real Estate Development in Nanjing: 40 [calculated by the author]; Zhang 2011: 17; and Nanjing Almanac 2006, 2016)

Housing Reform in Nanjing: 1980s

Housing deficit in Nanjing persisted throughout the 1970s. By late 1970s, although the natural increase of the city's population had declined, in-migration resurged to trigger a rapid population growth (see Figure 4.2): after the Cultural Revolution (1966-1976), the 120 thousand former city residents who were expulsed and sent to settle in the rural area during successive political campaigns were allowed to move back to the city. However, when they finally returned, they were unemployed and found their former dwelling either occupied by others or demolished. Their request for housing and compensation posted a serious challenge for the public sector at the time. The city government had to allow them to self-build in small pieces of vacant land (such as along the city wall). These shacks formed shantytowns that lacked basic service, and were highly stigmatized (Zhang 2011). Several of them persisted well into the 21st century, though in general they had been formalized and upgraded (Yangtse Evening Post 2015).

In this context, the city government reinforced its control over housing production and dramatically increased investment in the housing sector (see Table A2-1, Figure A2-1). Several housing projects were constructed to house the returnees who had not been accommodated at the time.[176] Work units, now with greater autonomy over the use of their revenues, played an active role in producing housing for their employees.[177] Usually the city government was in charge of the planning and land allocation for the housing project, and work units were in charge of financing the project and allocating the new dwellings to their employees.

As mentioned in Chapter 2, the central government launched a housing reform in the 1980s that sought to release the government from the burden of housing production and to introduce the market mechanism in the housing sector. The public-sector developers actively participated in the incipient commercial housing production (History of Real Estate Development in Nanjing: 232). Although most of these dwellings were bought by

[176] For example, in 1985, the Nanhu Xincun Housing Project was inaugurated, among its 9,622 dwellings, 5,275 were assigned to accommodate the returned households.

[177] In 1977, the city government confirmed that registered residents living in housing deficit could apply for housing to their district government; yet, as the shortage was severe, in 1981, the city government reduced the eligibility of beneficiaries to who were registered in the city but not employed. Whoever were formally employed should first apply for housing to their work units (History of Real Estate Development in Nanjing: 74).

foreign investors, oversea Chinese, or work units that later assigned the dwellings as public rental housing to their employees,[178] the business generated considerable revenues for the local government and the public sector developers. The experience in the 1980s and 1990s raised the awareness among the local authorities that urban development and urban land could potentially become a highly profitable business.

It should be noted that, following the economic reform and the decentralization in the 1980s, local authorities in Nanjing made considerable efforts in diversifying the economy, attracting foreign investment and introducing industries of high technology. All this required necessary infrastructure and facilities. Apparently, the public sector was the only agent to carry on this task, given that the private sector was almost non-existent. In Nanjing, since 1981, the prefectural and the district governments, as well as some state enterprises, established numerous "urban development companies", which later became public-sector real estate developers. By 1990, there were 22 such developers in the prefecture (General History of Urban Development in Nanjing: 14). Government-led housing production at the time was to serve the purpose of the spatial reorganization of the city: entire old urban neighborhoods or rural communities were demolished for infrastructure and new housing projects. Local authorities subjected the urban redevelopment and the urban expansion under increasing government planning, guidance and control. From then on, mass housing projects (rather than scattered single residential buildings or self-built settlements) became the predominant form of housing development.

[178] In 1996, only 28.5% of the sold commercial housing (in floor area) in the city was sold to individuals (Nanjing Almanac 1997: 149).

Appendix 3: Housing Affordability in Nanjing in 2000s and 2010s

This appendix provides more detailed information on housing affordability in Nanjing from 2003 to 2016- mainly the average housing price (by district) and average per-capita disposable income (by income quintile). It highlights the exclusion and inequality of the commercial housing market in Nanjing in the 2000s and the 2010s, and how the commercial housing development became a powerful sorting mechanism that further exacerbated the spatial stratification of the city.

One of the key arguments in Chapter 4 is that, while housing production has increased and the general housing condition in Nanjing has improved significantly since 1980s, new forms of inequality and exclusion also emerged that disadvantage low-income working class to get decent access to housing. This appendix intends to support this argument with more detailed information regarding the housing inequality and exclusion in Nanjing since 2003, year in which the central government proposed that commercial housing should target the majority of the urban population and reduced social housing to the role of social assistance.

In general, the housing affordability deteriorated from 2003 to 2016, though significant fluctuations also occurred. This deterioration of housing affordability applies to all income groups. That being said, it should be noted that from the very beginning, commercial housing was not economically accessible for people in the lowest two quintiles (Figure A3-2): to purchase a new commercial dwelling of 90 sq. m. in 2003 would cost 70 years' income for the lowest quintile, and 41 years' income for the second lowest quintile; meanwhile it only costed 12 years' income for the highest quintile.

High income groups are in general in better positions in contracting home mortgages from commercial banks and the housing provident funds. More importantly, as the average housing price rose 560% from 2003 to 2016,[179] for those who own extra properties, it is feasible to finance home-buying by selling out an old property and taking advantage of its rising value. These strategies, in general, are not disposable for low-income groups. They were further disadvantaged by the increasing spatial differentiation

[179] The rising housing price is not due to inflation- actually, between 2003 and 2016, the consumer price index (CPI) in Nanjing fluctuates between 0.1 and 6.2 (on average 2.9, see Nanjing Statistical Yearbook 2004-2017, calculated by the author), which is much lower than the growth rate of the price of new commercial housing.

in the commercial housing market, which is illustrated in Table 4.4. In 2015, if one plans to spend 30 years' income to buy a new commercial dwelling of 75 sq. m., the only options for the quintile of the lowest income are found in the two far-peripheral districts: Luhe and Gaochun, while for the quintile of highest-income, they had options in all districts. In this sense, commercial housing market is a powerful mechanism to stratify the urban space by sorting homebuyers to different locations according to their purchase power and excluding the low-income groups.

Table A3-1: Commercial Housing Price and Disposable Income in Nanjing: 2003-2016

Year	Average commercial housing price (per sq. m.)	Per capita annual disposable income	Average per-capita annual disposable income by quantiles				
			Lowest 20%	Lowest 40%-20%	Middle 20%	Highest 40%-20%	Highest 20%
2003	3035	10196	3899	6586	8946	12015	22158
2004	4115	11602	4558	7570	10439	13537	24784
2005	4403	14997	5326	9265	13044	18584	31986
2006	4265	17538	6458	11410	15528	21326	37498
2007	4700	20317	7461	12824	17580	24393	44123
2008	6208	23123	9553	15557	20346	26907	47813
2009	7737	25504	9846	16824	22162	30791	54967
2010	11403	28312	11743	18652	24264	34025	59612
2011	11640	32200	14172	22371	28693	38585	63471
2012	11214	36322	16997	25770	32412	42943	69419
2013	13346	39981	18675	28421	36494	46852	75497
2014	14356	42568	20615	31059	38643	50627	81469
2015	15107	46104	22542	33881	41892	54230	87896
2016	20058	49997	24938	36880	46022	58836	94919

(Note: Disposable income: income remaining after deduction of taxes and other mandatory charges, available to be spent or saved as one wishes. Source: Nanjing Almanac 2004-2017; Nanjing Statistical Yearbook 2004-2017, calculated by the author)

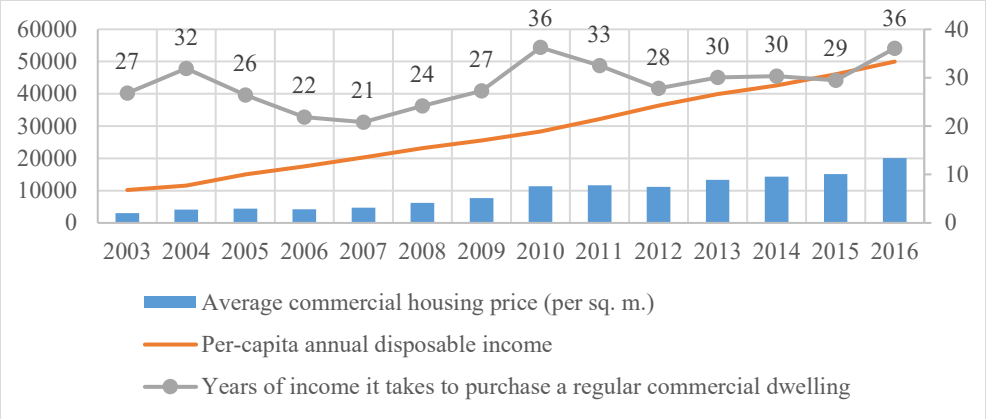

Figure A3-1: Housing Price, Income and Housing Affordability in Nanjing: 2003-2016

(Source: Nanjing Almanac 2004-2017; Nanjing Statistical Yearbook 2004-2017)

Note: suppose that a regular commercial dwelling measures 90 sq. m.; I calculate the price of a regular commercial dwelling by multiplying the average per-square-meter housing price listed in Table A3-1 by 90 sq. m.)

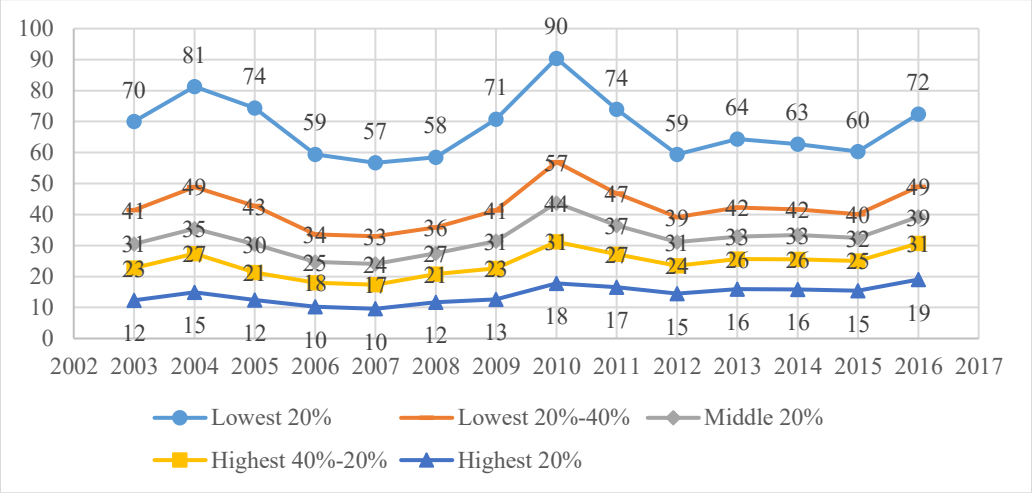

Figure A3-2: How Many Years of Annual Disposable Income Does It Take to Buy a New, Regular Commercial Dwelling in Nanjing? By Quintiles of Income, 2003-2016

(Source: Nanjing Almanac 2004-2017; Nanjing Statistical Yearbook 2004-2017

Note: suppose that a regular commercial dwelling measures 90 sq. m.; I calculate the price of a regular commercial dwelling by multiplying the average per-square-meter housing price listed in Table A3-1 by 90 sq. m.)

Table A3-2. Housing affordability in a context of spatial differentiation: 2015		Average price of commercial housing, per sq. m. (2015. 12.)	Years of per-capita disposable income it takes to buy a commercial dwelling of 75 sq. m.		
			Lowest 20%	Lowest 20%-40%	Highest 20%
Average of the prefecture		18697	63	41	16
Core- central districts	Gulou	23824	79	53	20
	Xuanwu	21944	73	49	19
	Jianye	22151	74	49	19
	Qinhuai	19393	65	43	17
Core- non centric districts	Qixia	15565	52	34	13
	Yuhuatai	16417	55	36	14
Near periphery	Jiangning	15036	50	33	13
	Pukou	12669	42	28	11
Distant periphery	Luhe	7108	24	16	6
	Lishui	9415	31	21	8
	Gaochun	6129	20	14	5

(Source: for housing price: https://www.anjuke.com/fangjia/nanjing/ ; for disposable income, see Table 4.3)

Appendix 4: Housing Development in the Metropolitan Area of Guadalajara: 1950s-1980s

This appendix reviews the housing development in the Metropolitan Area of Guadalajara from the 1950s to 1980s. I documented how informal housing development became the predominant path to homeownership in this period, in the context of rapid urban population growth under the Import Substitution Industrialization (ISI). Currently, despite the social housing boom at the far periphery of the metropolitan area, these informal settlements still represents a significant part of the urban housing stock, and remains as a main form of housing access for the low-income population.

Under the ISI model, Guadalajara witnessed a significant industrial expansion. In the 1960s, national and international companies such as Motorola, Kodak and IBM started to expand their industrial production in Guadalajara. The city was attractive for investors for its big regional market, the incentives offered by the local authorities and a low-level of unionization (Gilbert and Varley 1991). This wave of industrialization to certain extent squeezed out the local, small-scale industries that traditionally predominated in the city's economy. As a result, an important part of the local capital was channeled into the real estate sector.

Unlike in Nanjing and other large Chinese cities, where the local government imposed a firm restriction against in-migration and expelled part of its population to the rural area during the urban crisis of the 1960s and 1970s, in Mexico population mobility was not regulated, despite some attempts of planning population distribution (e.g. CONAPO). By 1986, one-third of Guadalajara's population were migrants (Walton 1987). Whereas in 1950, the municipalities that formed today's Metropolitan Area of Guadalajara only concentrated 28% of the population of the State of Jalisco, by 1980, this figure increased to 53% (INEGI, Census data, calculated by the author). By the 1970s, Guadalajara had already concentrated more than half of the industrial establishments and two thirds of the industrial labor of the state of Jalisco (LAHN).

Until late 1970s, Guadalajara accommodated its rapidly-growing population first with its rental housing stock and the private land available at the urban fringe for "legal" low-income subdivisions. Guadalajara remained as a predominantly rental city in the 1970s.[180] In 1980, only 52.1% of the residential dwellings in the city was owner's housing.

[180] In 1950, only 29.1% of the residential dwellings in the municipality of Guadalajara was owner's housing. This figure was 28.3% in 1960, but rose to 43.1% in 1970 (Gilbert and Varley 1991: Table 3.1).

Quite different from other major cities in Mexico, illegal subdivisions on ejidal land were rare in Guadalajara in this period, partly because of the municipal authorities' opposition, but also due to the presence of a large amount of private land at the urban periphery for sub-dividers' "formal private housing development". That said, Varley and Gilbert (1991) pointed out that a lot of those legal subdivisions were approved only because of the collusion between developers and the municipal government, but were actually fraught with irregularities and deficit in basic infrastructure.[181]

Housing in general was better serviced in Guadalajara compared to in other major cities of the country, probably due to the rare presence of squatter settlements. Yet, in the 1960s, population growth was faster than housing stock in Guadalajara (Gilbert and Varley 1991: Table 5.6), which led to worse overcrowding. Indeed, Guadalajara had the worst housing deficit record among the 14 largest cities of the country (Gilbert and Varley 1991). The precarious housing and settlement conditions led to numerous urban social movements in the region during the 1960s and 1970s.

Public-sector housing agencies such as the INFONAVIT and the FOVISSSTE were created in the 1970s and started to operate in Jalisco. These agencies led the construction of a small yet important number of social housing for the low-income urban population. Between 1972 and 1979, for example, the Delegation VI of the INFONAVIT that covered Jalisco, Colima and Nayarit, led the construction of 16,023 units of social housing, of which 14,386 were located in the Metropolitan Area of Guadalajara (Regalado Santillán 1995: 105).

By late 1970s, the rising cost of land and service provision made low-income commercial subdivisions a less profitable business, and developers shifted their focus to middle and upper class housing. As a result, the previous mechanisms that housed the working class through legal low-income subdivisions and rental housing was reduced. In this context, as the expanding urban built area became adjacent with the ejidal land, informal settlements started to proliferate on ejidal land through illegal subdivision (LAHN). (Gilbert and Varley 1991, LAHN).[182] In mid-1970s, a federal agency CORETT started to regularize the informal settlements built on ejidal land in an *ad hoc* fashion.

In the 1960s we see the beginnings of conurbation and from 1960s to 1980s, the municipalities that formed the first ring outside of the urban core (Tonalá, Tlaquepaque

[181] Gilbert and Varley (1991: 81) documented that in Colonia Agustin Yanez, plot sizes were reduced to 75 sq. m., despite the legal minimum of 90 sq. m. Streets were only 5 meters wide.

[182] Although many informal settlements were formed on ejidal, communal and public land, it was also common for some of them to have formed on private land.

and Zapopan) went through the fastest population growth in the metropolitan area (see Figure A4-1). In late 1970s, these municipalities formally became part of the Metropolitan Area of Guadalajara and several institutions aimed at coordinating metropolitan affairs such as water (e.g. SIAPA) and public transportation were established.

Table A4-1: Population of the Metropolitan Area of Guadalajara: 1970-2015

Municipality	1970	1980	1990	1995	2000	2005	2010	2015
Guadalajara	1199391	1626152	1650205	1633216	1646319	1600940	1495189	1460148
Zapopan	155488	389081	712008	925113	1001021	1155790	1243756	1332272
Tlaquepaque	100945	177324	339649	449238	474178	563006	608114	664193
Tonalá	24648	52158	168555	271857	337149	408739	478689	536111
Tlajomulco de Zúñiga	35145	50697	68428	100797	123619	220630	416626	549442
El Salto	12367	19887	38281	70085	83453	111436	138226	183437
Juanacatlán	5501	8801	10068	11513	11792	11902	13218	17955
Ixtlahuacán de los Membrillos	10652	12310	16674	20598	21605	23420	41060	53045
Metropolitan Area of Guadalajara	1544137	2336410	3003868	3482417	3699136	4095863	4434878	4796603

(Source: INEGI, census data)

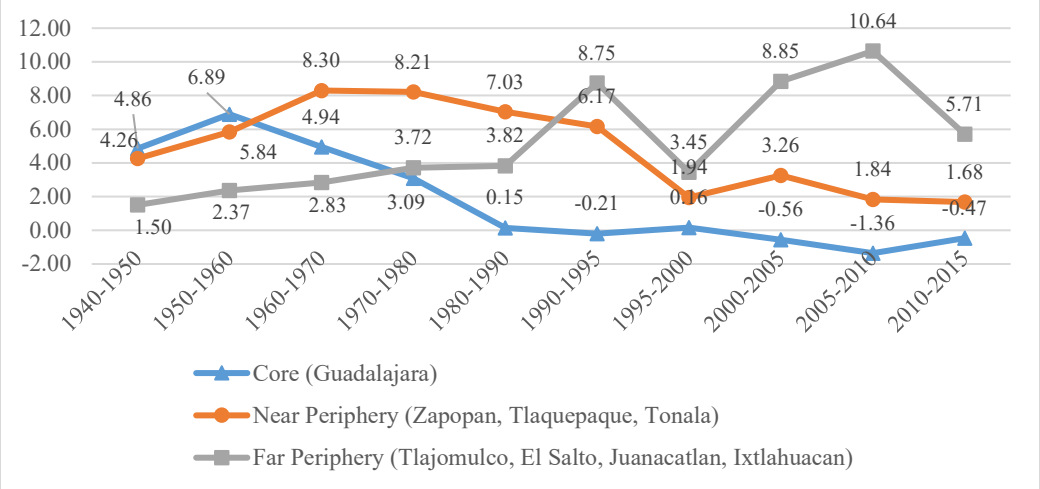

Figure A4-1: Annual Population Growth Rates of the Metropolitan Area of Guadalajara (%): 1940-2015

(Source: INEGI, census data, calculated by the author)

The Debt Crisis of 1982 also swept Guadalajara. Informality and household strategies became important coping mechanisms for the urban poor to survive the crisis (González de la Rocha 1994).

The population growth in the Metropolitan Area had decelerated in the 1980s and 1990s (from 5.4% in the 1960s to 2.5% in the 1980s, INEGI census data, calculated by the author), and the metropolitan area was consolidated. In this period, the core of the metropolitan area (Guadalajara) started to experience negative population growth. Population growth also decelerated in the first ring, from 8.2% annually in the 1970s to under 2% between 1995 and 2000 (Table A4-1). As a result, the population distribution of the metropolitan area has changed significantly: while in 1960, the municipality of Guadalajara concentrated 81% of the population of the Metropolitan Area, this figure decreased to 45% in 2000. Since 1995, the first ring concentrated more population of the metropolitan area than the municipality of Guadalajara.

In the economic crisis and the structural adjustments, federal housing agencies, particularly the INFONAVIT, continued its level of housing actions in the Metropolitan Area of Guadalajara. Throughout the 1980s, the INFONAVIT led the construction of 30,471 social housing dwellings in the metropolitan area, or roughly 3,000 units per year, although it ceased constructing three-bedroom apartments as it had in the 1970s in an attempt to reduce the construction cost (Regalado Santillán 1995: 104, 105, calculated by the author). In 1987, approximately one tenth of the population of Guadalajara lived in a social housing dwelling constructed by the INFONAVIT (Ibid: 105). Similar to the rest of the country, public housing agencies changed their modus operandi in the 1990s. As mentioned in Chapter 3, the INFONAVIT Reform in 1992 was oriented towards deregulation and stimulating the participation of the private sector in housing production. Meanwhile, housing agencies of the Jalisco State government were in a much more vulnerable position during the economic recession and the structural adjustment, as they did not have their own resources, and were completely dependent on fiscal resources.

Following their initial expansion in late 1970s, the 1980s witnessed a rapid expansion of informal settlements. The State and the municipal governments also viewed self-building as a pragmatic policy option, which was reflected in policy initiatives such as land reserve for low-income housing through expropriation of the ejidal land, as well as the program of subdivisions of social objective (Fraccionamiento de Objetivo Social, FOS) for progressive housing in the 1980s (LAHN). These programs were ephemeral and of limited influence. That said, the municipal government contributed to the consolidation of the informal settlements, through CORETT (regularizing the land title), and through the

Federal Commission of Electricity (LAHN),[183] although this approach to the consolidation of the informal settlements was less feasible during and after the economic crisis, as the municipal governments had less resources to invest in infrastructure and service provision. By the year 2000, 699 settlements (59% of the total number of settlements) in the Metropolitan Area were associated with some forms of informality, comprising some 309,980 lots on 16,337 hectares of land (equal to about 35% of the urban built area of the Greater Guadalajara). Only 27.5% of the land occupied by informal settlements of had been regularized by 1999 (Fausto Brito 2003).

[183] Moreover, FONHAPO, federal agency of housing finance that served the informal sector and worked with various types of organization, had an important yet limited impact in the metropolitan area. Between 1984 and 1990, in the metropolitan area, the FONAHPO could only approve 2,470 housing actions, out of the 29,234 applications it received (Regalado Santillán: 107). These housing finances were for housing improvement (1,295), progressive housing (1,050) and for lots-with-services (125, ibid).

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